

CORPORATE SUSTAINABILITY REPORT 2018

- Communication on Progress

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1. Leadership Commitment

Introduction

Corporate sustainability is a key element of DHI's core values. Since joining the United Nations Global Compact in 2013, our strategies and activities have been aligned to its ten principles by meeting fundamental responsibilities in the areas of human rights, labour, environment and anti-corruption.

As a responsible business with more than 30 offices around the world, we believe that establishing a culture of integrity – and being responsible to the world we live in – is core to achieving long-term success.

The UN Global Compact is a guiding framework for us to:

- carry out Corporate Social Responsibility (CSR) initiatives within DHI Group and ensure that our business partners support and are in line with the Compact's principles
- communicate effectively with the world around us – because upholding social responsibility and conveying its importance in the work that we do, matters
- maintain a meaningful dialogue with our staff, clients and external business partners.

This report is produced for the purpose of describing the actions we have taken to implement the UN Global Compact principles to our staff and the UN, as well as to others who have an interest in CSR and social responsibility efforts.

We are pleased to reaffirm this commitment from DHI. We endeavour to unceasingly improve the integration of the Global Compact and its principles into our business strategies, culture and daily operations.

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'JHM', is positioned above the printed name of the Chief Operating Officer.

Jacob Høst-Madsen
Chief Operating Officer

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2. Corporate Social Responsibility – in DHI Group

2.1. About us

Our commitment to sustainability remains consistent across all DHI A/S businesses. In everything we do within sustainability, we work with these principles in mind:

- DHI A/S is committed to ensuring that our business practices are safe, responsible and transparent, in accordance with our core values and the principles of the UN Global Compact on human rights, labour rights, environment and anti-corruption
- We define corporate sustainability as working systematically to reduce negative and enhance positive impacts on people, society and the environment, and as seeking to leverage these efforts for risk mitigation, competitive advantage and business growth
- We further aim to unlock growth for society and DHI A/S by leveraging the core strengths of our businesses to address global challenges through innovation

United Nations Global Compact

At DHI, we support the UN Global Compact – an initiative that encourages the adoption of sustainable and socially responsible policies. We subscribe to its ten principles in the areas of human rights, labour, the environment and anti-corruption.

The principles on Human Rights and Labour are supported by policies and specifications in our certified DHI Business Management System.

The principles on Environment are at the heart of our mission and vision, and are directly a part of our quest.

The principle on Anti-Corruption is integrated with our business integrity policy and is a key CSR focus for us.

We subscribed to the UN Global Compact program in 2013 and have provided a yearly Communication on Progress (COP) since then.



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2.2. Our business

Our fundamentals

Our fundamentals are our key values, our mission and our vision.

Our quest

We are on a quest – to solve the world's toughest challenges in water environments.

Our profile

DHI are the first people you should call when you have a tough challenge to solve in a water environment – be it a river, a reservoir, an ocean, a coastline, within a city or a factory. Our knowledge of water environments is second-to-none. It represents more than 50 years of dedicated research and real-life experience from more than 140 countries. We strive to make this knowledge globally accessible to clients and partners by channeling it through our local teams and unique software.

Our world is water. So, whether you need to save water, share it fairly, improve its quality, quantify its impact or manage its flow, we can help. Our knowledge, combined with our team's expertise and the power of our technology, holds the key to unlocking the right solution.

Our values

We are at the forefront of technical excellence

Through research, development and innovation (RDI), we constantly strive to advance our knowledge and offer services and products which are at the forefront of technical excellence. We constantly invest in our scientifically-backed solutions to solve the challenges of tomorrow. Our continuous RDI is the foundation of our organisation.

We are an independent and trusted advisor

We are an independent, private, not-for-profit, foundation-owned company with financial management subjected to third party audits. Our independence allows us to use our technical expertise to provide unbiased information, enabling our clients to make responsible choices and protect their water environments.

We exhibit integrity in everything we do

Integrity is a cornerstone of our work. To ensure the high-level of integrity for which we are known, we have integrated the International Federation of Consulting Engineers (FIDIC) Code of Ethics into our DHI Business Management System (DHibus).

We share our knowledge and technology

We strive to make our knowledge and technology available to clients worldwide through our local network of offices and partners. Our MIKE Powered by DHI products help our customers develop locally sustainable solutions, while courses from THE ACADEMY by DHI ensure the continued accessibility of our knowledge.

We encourage freedom with responsibility

Our flat structure and flexible working environment allow creativity to flourish. By delegating responsibility, we empower our staff to lead, decide and act. Giving our staff this freedom encourages initiative and innovation.

We develop innovative solutions

We understand the value of water and our people are passionate about our work. This passion attracts the best talent, ensuring the continued high quality of our solutions. Our employees think outside the box to develop innovative solutions for our clients.

We use our global knowledge to develop local solutions

Each and every person in our offices around the globe is part of one team working together to solve some of the world's toughest water challenges. We use our accumulated global knowledge to develop locally relevant solutions, allowing our clients and colleagues to tap into our global experience and expertise.

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We help you build capacity

By sharing our knowledge with our clients, we help them build capacity to overcome their unique water challenges.

2.3. Risk related to Corporate Social Responsibility

DHI operates in a highly competitive and rapidly changing global marketplace. In order to sustain profitable growth, DHI considers risk management a necessity and has adopted a structured approach to address this area. In DHI, risk management contains four elements: risk identification, risk assessment, identification of mitigating actions and risk reporting.

DHI identifies risk using a combination of a bottom-up and a top-down approach. Key risks are initially identified within each business unit using a SWOT analysis and reported to Group Management together with information on what has been done and what is intended to be done. High risks are aggregated and a broad list presented in an annual risk report and challenged by Group Management and finally the Board of Directors.

The main risks related to CSR are presented below:

Risk Category	Risk Mitigation
Human Rights <ul style="list-style-type: none"> • Freedom of association and collective bargaining • Forced labour • Child labour and young workers • Non-discrimination • Health & safety • Wages and benefits • Fair compensation 	<p>DHI has corporate policies for human rights. We support freedom of association and abandon any form of forced labour and child labour.</p> <p>We work actively with health and safety and continuously monitor equality and inclusion throughout our business.</p> <p>Our compensation packages are externally benchmarked to ensure that we comply with market levels.</p>
Labour <ul style="list-style-type: none"> • Gender equality • Non-discrimination • Harassment • Staff safety and security 	<p>DHI promotes gender equality and has set targets for top management.</p> <p>DHI has a whistle-blower policy to promote non-discrimination and avoid any kind of harassment.</p>
Environment <ul style="list-style-type: none"> • CO₂ and pollution prevention • Chemical substances • Waste management 	<p>DHI manages our operations responsibly in relation to environmental risks and impacts. We actively seek to reduce our waste and CO₂ footprint and manage resources such as water and energy to ensure it is used efficiently.</p>
Business Ethics <ul style="list-style-type: none"> • Tax and legal compliance • Anti-corruption • Data and IP protection • Cyber security 	<p>DHI conducts business in compliance with legal requirements and adheres to internationally agreed standards of business ethics.</p> <p>We have implemented GDPR and are working actively to prevent cyber-crime and to protect our intellectual property.</p>

The main drivers for DHI's actions on CSR are business related. Employee recruitment and retention issues are important focus areas. Thus, failing to implement and preserve sound social responsibility may impair our attractiveness as an employer and consequently put our business at risk if we are not fully equipped to meet our customers' demands.

As such, the main risks identified in relation to CSR are related to company brand and reputation.

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2.4. Due diligence processes and the use of non-financial KPIs

The overall business risks are monitored on a continuous basis. Quarterly reviews are held with all local subsidiaries, where business risks and mitigation actions are reviewed. All new staff are introduced to DHI’s core values and CSR policies, and policies and any incidents are also discussed with employee representatives on a quarterly basis.

An Audit Committee has been established, overlooking the overall policies and risk management for the DHI Group. This is closely coordinated with the external audit of the annual accounts by the Group Auditors.

Several KPIs have been established to monitor progress on the implementation of the CSR policies. This includes reporting on health and safety, gender equality, fair compensation, tax & legal compliance and DHI’s environmental exposure.

3. Human Rights

Principles of the UN Global Compact

- 1: Businesses should support and respect the protection of internationally-proclaimed human rights.
- 2: Make sure that they are not complicit in human rights abuses.

3.1. Policy and Commitment

The human rights and well-being of DHI employees is a focus area in all work processes. DHI acknowledges the requirements of The Universal Declaration of Human Rights and The United Nations Convention against Corruption, and we ask of all our employees that they work actively to ensure continued compliance in all their work.

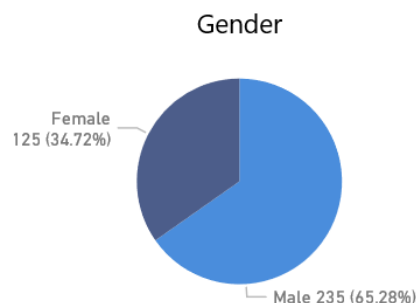
In all aspects, DHI respects and acknowledges cultural difference and disassociates itself with discrimination based on race, religion, gender, age, nationality or sexual orientation.

DHI places high priority on a sound and healthy work environment, as it is a precondition for flexibility, adaptability and personal development.

3.2. Diversity – Board members and other Management Levels

DHI wants to attract the best employees within our field, irrespective of gender, religion or ethnical background. DHI aims to create an international work environment, and the share of international employees in Denmark is 23%.

Our aim is that the gender equality in the management and Board of Directors should reflect the gender equality among staff. Women account for 35% of all staff in Denmark, and this figure is similar to the total representation of women in the management and Board, which stands at 33%.



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3.3. Implementation and Performance

DHI fulfils the responsibility of securing the rights of our employees. We ensure this by taking various measures:

- We offer all our employees a health insurance package
- We have established a DHI corporate whistle-blower portal ([link](#)) giving employees and other DHI stakeholders the opportunity to submit anonymous or non-anonymous reports serious concerns like bribery, embezzlement, violation of human rights and labour principles, accounting fraud, circumstances which have resulted in substantial injury or environmental damage, and more

DHI has not been subject to any investigations, legal cases or incidents involving human rights violations in 2018.

3.4. Focus in 2019

In 2019, we will improve the awareness of the human rights throughout the DHI Group by:

- Promoting our whistle-blower scheme towards all staff
- Conducting equal pay gap analysis in our large business units
- Establishing target-setting of gender representation at management levels
- Using gender-neutral terms and avoid discrimination against race, age, culture and people with disabilities and medical conditions in our communication
- Using gender-neutral language in all Group policies and continue to focus on using non-discriminatory language in job advertisements and job interviews

4. Labour

Principles of the UN Global Compact

- 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.
- 4: The elimination of all forms of forced and compulsory labour.
- 5: The effective abolition of child labour.
- 6: The elimination of discrimination in respect of employment and occupation.

4.1. Policy and Commitment

DHI supports and protects human and labour rights both in the workplace and more broadly in all our business activities. All employees and workers are to be treated fairly, with dignity and respect.

DHI acknowledges the requirements of the International Labour Organization's conventions and declarations, including the Rio Declaration on Environment and Development, convention no. 155, as well as the Declaration of Fundamental Principles and Rights at Work.

Freedom of association and collective bargaining

DHI recognises and respects the rights of employees to freely associate, organise and bargain collectively. In situations where the right to freedom of association and collective bargaining is restricted under law, DHI allows workers to freely elect their own representatives.

Forced labour

DHI prohibits any use of forced, bonded, indentured labour, or involuntary prison labour. All work, including overtime work, shall be voluntary and workers shall be free to leave work or terminate their

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employment with reasonable notice. DHI will not mandate that workers hand over government-issued identification, passports, or work permits as a condition of employment.

Child labour and young workers

DHI works against all forms of child labour. DHI does not employ children below the minimum age of employment or the age for completing compulsory education in that country, whichever is higher. DHI does not employ any young workers under the age of 18 to perform any work that is likely to be hazardous or harmful to their health and safety.

Non-discrimination

DHI does not practise any form of discrimination in hiring and employment practices including access to training, promotions and rewards on the grounds of race, colour, religion, gender, sexual orientation, age, physical ability, health condition, political opinion, nationality, social or ethnic origin, union membership or marital status.

Health and safety

DHI ensures a safe and healthy workplace or any other location where production or work is undertaken. Appropriate health and safety information, training and equipment is provided to all workers.

Wages and benefits

DHI pays all workers at least the minimum wage required by applicable laws and regulations and provide all legally mandated benefits. All employment conditions, including compensations, working hours, vacation time, leave periods and holidays must be consistent with applicable laws and regulations, especially mandatory industry standards.

4.2. Implementation and Performance

DHI's Code of Conduct for partners and subcontractors form the basis for diligent and proper conduct of business co-operation. DHI expects all suppliers and subcontractors to share the fundamental principles of DHI's responsible sourcing standards and that they meet and comply with the requirements of UN Global Compact.

As part of the company's internal processes, DHI has developed a Health & Safety process that covers all activities that are required to ensure a healthy and safe working environment.

A Health & Safety Committee was established in DHI in February 2000 and has since continuously worked to create optimal work conditions for employees and secure the absence of work place accidents.

One work place accident (> 1 day's absence) was reported in 2018 and four in 2017. None of which involved terminal or permanent injuries (LTIF per 1 million hours worked = 1,93 in 2018 and 7,67 in 2017).

Following Danish legislation, DHI carries out the mandatory workplace assessment surveys (APVs) every third year and whenever there are significant changes in a workplace. In addition, we carry out an assessment of the new employees' workplace after three months of employment. Actions are taken based on the results of the survey.

DHI employs more than 1,100 people located in three different geographical areas (Asia-Pacific, Europe and North & South America) with offices in more than 30 countries. Individual development plans and performance & development dialogues have been carried out for all employees in all offices.

In 2018, DHI has also monitored absence related to sickness on a monthly basis to be able to react if a negative trend is discovered.

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4.3. Focus in 2019

In 2019, we will:

- review the Code of Conduct for DHI employees and communicate it to all our staff
- make the Code of Conduct publicly available on the DHI website, confirming DHI's commitment to the ten Principles of the UN Global Compact
- ensure that all subcontractors and critical suppliers undergo an approval process to ensure they meet DHI's safety and quality requirements as well as our business standards
- implement a health & safety policy that includes security management
- continue to evaluate the potential health & safety risks that may be present in our workplace, projected activities or undertakings. For those that may cause harm, particularly to people, a documented risk assessment will be completed to describe the measures that must be in place to effectively eliminate or control the harm from happening.
- standardise the health & safety risk management system and implement risk assessments in business units that have out-of-office projects work or field project work

5. Environment

Principles of the UN Global Compact

- 7: Businesses should support a precautionary approach to environmental challenges.
- 8: Undertake initiatives to promote greater environmental responsibility.
- 9: Encourage the development and diffusion of environmentally friendly technologies.

5.1. Policy and Commitment

DHI's business activities mainly comprise of consultancy services, software development and training, including general office activities and business travel, primarily in connection with servicing clients. Although these services and business activities do not directly affect the environment, the associated energy consumption, first and foremost, and business travel do have an impact. While such activities are necessary when working in a global business, DHI continuously aims to reduce the use of resources and the environmental impact of our business activities. The company thus maintains focus on how to reduce energy and water consumption in all business areas.

Environmental legislation

DHI is obtaining and maintaining all required permits and licenses, and will ensure that we comply with the operational and reporting requirements of such permits and licenses.

Waste management and pollution prevention

DHI endeavours to avoid or reduce any waste or emissions as a result of our business activities. DHI strives to use efficient technologies that aim to reduce the environmental impact as much as reasonably practicable.

Environmental management systems

DHI has a structured and systematic approach to take environmental aspects into account when engaging in activities with an environmental impact. This includes our implemented environmental management system and documented processes for environmental protection, setting targets and performing follow-ups.

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5.2. Implementation and Performance

Wherever possible, we make use of technology solutions, including virtual meetings via the Internet, to reduce the need for travel. Furthermore, DHI promotes the use of sustainable and low-energy devices.

5.3. Focus in 2019

In 2019, we will

- establish an environmental management policy
- reduce CO² emissions from air fare by use of Skype for business video calls whenever possible.
- set CO² emission targets
- identify areas to reduce the impact from DHI's own operations for further improvement in the future. Focus areas will be:
 - ✓ Lower energy consumption
 - ✓ Increase CO² neutral energy supply
 - ✓ Sorting of waste
 - ✓ Phasing out the use of unwanted chemicals/products

6. Business Ethics

Principles of the UN Global Compact

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

6.1. Policy and Commitment

DHI's policy on business ethics considers corruption and bribery wrong and illegal, and not acceptable. The company's business ethics and code of conduct clearly lay forward the consequences of engaging in such unlawfulness.

DHI's Responsible Business Practices (publicly available from the DHI website) and Code of Conduct form the basis of DHI's business in its entire operations. They provide guidance, and outline the responsibilities of the employees and management to protect DHI from any malpractice that may undermine the company's business integrity and impact its long-term business success.

Legal compliance

DHI complies with all applicable laws, rules and regulations in the countries in which they carry out their business activities.

Anti-corruption

DHI is familiar with and in strict compliance with the United States Foreign Corrupt Practices Act, the Bribery Act of England and Wales, the United Nations Convention against Corruption, and any similar local legislation, statutes and regulations relating to anti-bribery and anti-corruption, its prohibitions and purposes, and will not undertake any actions that may violate these rules. Accordingly, DHI will not agree to (1) engage in or tolerate any form of corruption, bribery, extortion or embezzlement, and (2) not to offer or accept any benefits or other means to obtain any undue or improper advantage. Such improper benefits may comprise cash, non-monetary gifts, pleasure trips, or services and amenities of any other nature.

Whistle-blower scheme

DHI's whistle-blower scheme is an anonymous or non-anonymous avenue for employees and other stakeholders to 'blow the whistle' if they become aware of or suspect that unlawful activity is taking

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place in the company. Our whistle-blower policy and reporting tool is publicly available from the DHI website.

6.2. Implementation and Performance

DHI has integrated the International Federation of Consulting Engineers (FIDIC) Code of Ethics in our business processes and practices. Our all-electronic Business Management System – DHIbus – ensures that we deliver the highest standards of service to our clients, in accordance with our exemplary quality management system. We are firm about implementing responsible business practices that promote quality, effectiveness and competitiveness.

Driven by the new EU General Data Protection Regulations (GDPR) and cyber risk globally, we have put extensive efforts into improving data protection in 2018.

We have also enhanced the global process for evaluation, due diligence and monitoring of suppliers and sub-contractors.

DHI has not been subject to any investigations, legal cases or incidents involving anti-corruption violations in 2018.

In 2018, no whistle-blower cases and compliance concerns were reported through DHI's whistle-blower system and compliance organisation.

6.3. Focus in 2019

The DHI business ethics and Code of Conduct, including rules for gifts, hospitality and entertainment, will be communicated to all employees.

If and when the documents are updated, all employees will receive notification to familiarise themselves with the content of the documents.

Also, in 2019 DHI will put extensive efforts into improving cyber security and data protection, as well as:

- integrating new data protection requirements (including GDPR) into our workflows and IT systems
- implement cyber security and data protection awareness training for our employees.

THE EXPERT IN WATER ENVIRONMENTS

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DHI OFFICES WORLDWIDE

Australia
Austria
Brunei
Canada
China

Czech-Republic
Denmark (head office)
France
Germany
Hungary

India
Indonesia
Italy
Malaysia
New Zealand

Norway
Peru
Poland
Romania
Singapore
Slovak-Republic

Spain
Sweden
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