



# OUR SEAS, OUR FISH, OUR FOOD

Sustainability Report, March 2016





HERMES

ABAS

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**“FISH STOCKS ARE NOT JUST FOR TODAY, BUT  
FOR FUTURE GENERATIONS”**

**- JAN ROGER, CEO HERMES, AN ESPERSEN  
SUPPLIER**

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# CEO Statement



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**AS A COMPANY  
RELYING ON A  
NATURAL RESOURCE,  
SUSTAINABILITY  
IS CORE TO OUR  
BUSINESS**

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Espersen is a leading fish processor - producing high quality seafood products, and supporting and creating high standards in sustainability and best practice in our industry. In this regard, I am very proud of the dynamic work we continue to deliver under the banner of “Our Seas, Our Fish, Our Food.”

This framework allows us to tackle the big issues facing our industry, adapt to new and changing situations, while generating the substance necessary to project a positive image of our company and our role in improving the marine fisheries sector overall.

This year has not been without challenges, the eastern-Baltic cod fishery MSC certification was suspended in December due to insufficient information received in the 2015 stock assessment. At Espersen we strongly believe that in order to maintain a healthy fish stock we must continue to invest. We use the 3E framework for sustainability – ethics, environment, economics – which is why we intend to pay the same for non MSC cod as with MSC. We will work hard to preserve this fishery and get the certification back, whilst making sure our fishermen are paid a fair price.

As a company relying on a natural resource, sustainability is very much at the core to our business. The changes we have made to our programme this year will help us improve our sourcing and the technology our suppliers use, reduce our long-term environmental impact, and support the health and welfare of our employees - the backbone of our business. We also hope our initiatives and progress set out in this report will inspire collaboration and partnerships that will enable us to secure a net positive future for the seafood sector.

**Klaus B. Nielsen**

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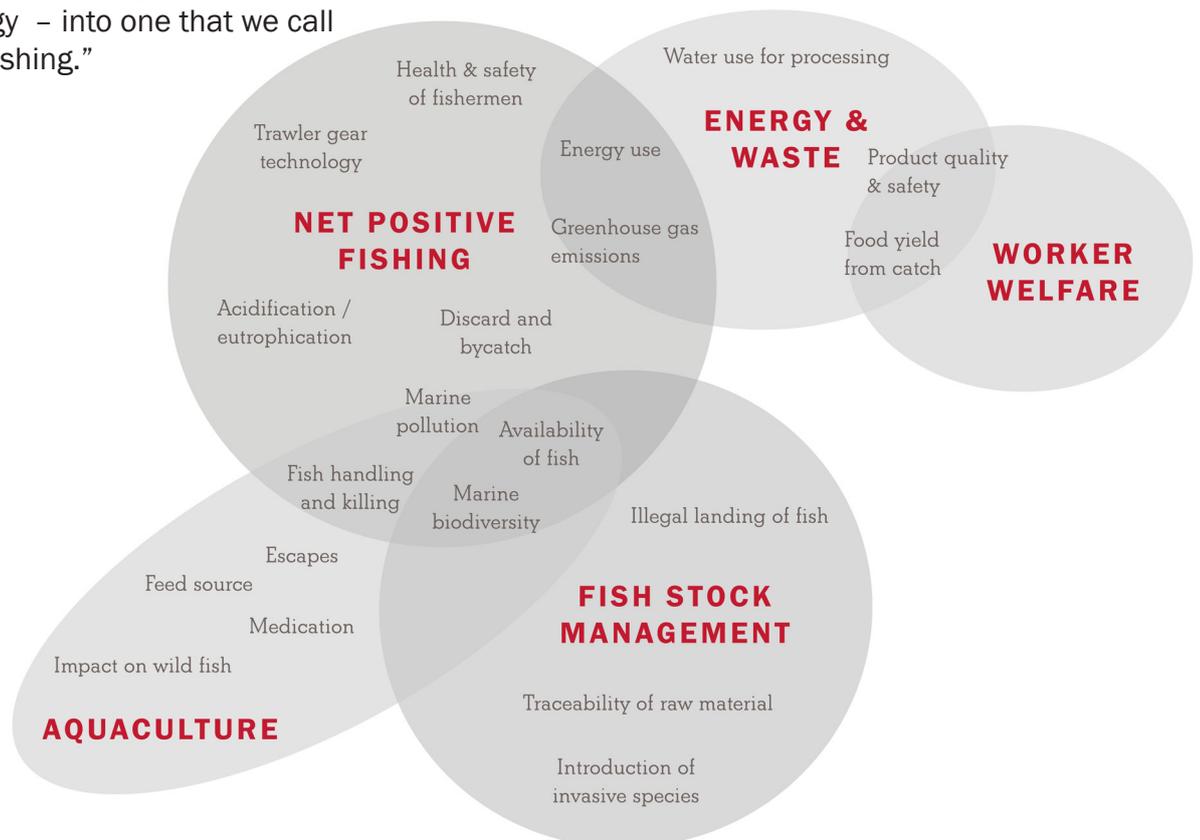
# Esperesen Sustainability

Everything we do is geared towards continued access to fish resources. And unfortunately there is no agreed rule-book to achieve seafood sustainability. It is not a set path, as our goals are set for the future. It is a process that is defined with every step we take and redefined as we learn more. For Esperesen this means that we continuously review our programme to ensure it tackles the most pressing issues facing our business in the most effective way. The areas we work on are identified and supported by the priorities of internal and external stakeholders as well ongoing review of published fisheries science. In this year's report we would therefore like to announce some changes to "Our Seas, Our Fish, Our Food".

Our programme still consists of five areas, each addressing a number of sustainability issues. Fish Stock Management, Energy & Waste and Worker Welfare remain stable work streams as in years past. However, this year we have combined two of our previous focus areas - Marine Ecosystem Management & Trawler Gear Technology - into one that we call "Net Positive Fishing."

We have done this to underline what we see as our main responsibility, namely to ensure current and future availability of affordable food from the seas through improving the selectivity, quality and efficiency of the way we catch fish, while eliminating the sectors contribution to environmental degradation in the ocean.

The second change we have made is to add a new work stream focused on Aquaculture. Half of the seafood consumed today comes from farms, a trend that is set to increase to over 60% by 2030. As a leading processor of fish we expect our share of raw materials coming from aquaculture to rise in the years to come. We want to position ourselves as a partner to this growing sector promoting best farming practices, high animal welfare and environmental standards.



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## ENSURING CURRENT AND FUTURE AVAILABILITY OF AFFORDABLE FOOD FROM THE SEAS

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### NET POSITIVE FISHING

Transform the way we catch fish to ensure continued availability of healthy affordable food from the seas and eliminate our contribution to ocean degradation.



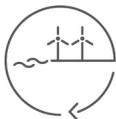
### FISH STOCK MANAGEMENT

To ensure viable fish stocks through evidence based sourcing decisions.



### AQUACULTURE

To ensure availability of high quality seafood from best practice farms that protects the environment, promotes fish health and welfare and supports the livelihoods of farmers



### ENERGY AND WASTE

Fish processing using all renewable energy and generating zero waste



### WORKER WELFARE

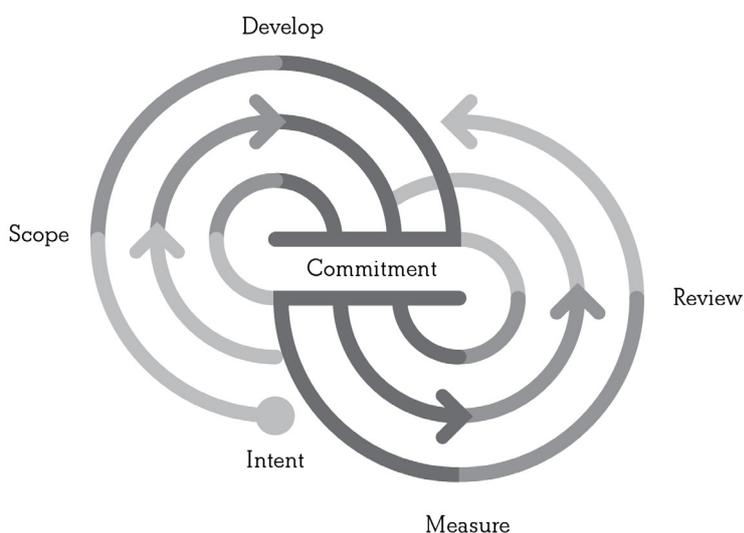
*All our employees to recognise Espersen as a good employer, wherever we are in the world.*



# Key Impacts, Risks and Opportunities

As an organisation that wishes to genuinely tackle sustainability we focus on what we do on an ongoing and measurable basis – building into our organisation a committed and informed direction of travel.

We implemented the following five steps to develop our programme;



- 
- 1** Identified our business ‘footprint’ as basis for a complete analysis of sustainability issues which could impact the business from – it captures the entire supply chain.

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  - 2** Captured all relevant direct and indirect sustainability issues which impact our business using the 3E framework of ethics, environment and economics

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  - 3** Conducted stakeholder research based on the issues from the 3E scoping exercise to capture current internal and external stakeholder views on sustainability challenges, responsibilities and opportunities.

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  - 4** Reviewed published science relating to the issues identified in section two, to highlight key scientific evidence for each issue

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  - 5** Developed bespoke programme areas based on the reviews of data, evidence and insight.
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# Stakeholder Engagement

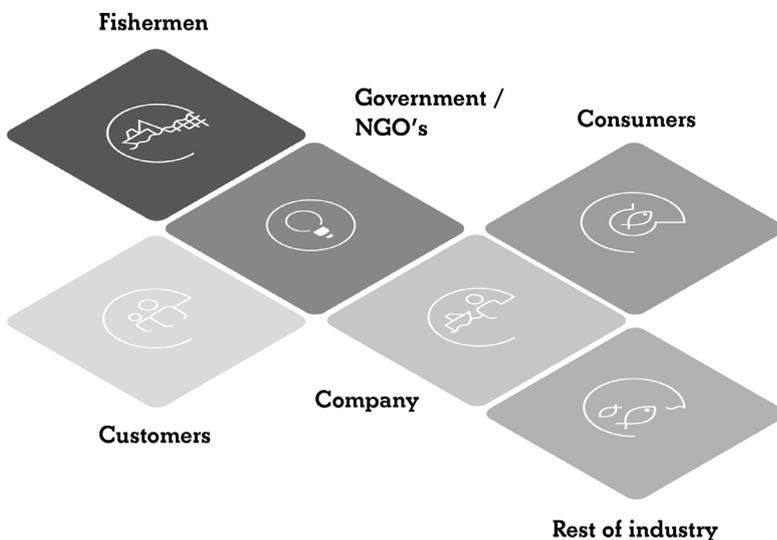
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**WHEN WE DEVELOP AND REVIEW OUR APPROACH TO SUSTAINABILITY WE PUT THE ISSUES SURROUNDING OUR BUSINESS INTO CONTEXT, ALONGSIDE STAKEHOLDER ENGAGEMENT AND ANALYSIS**

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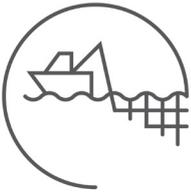
Understanding how our internal and external stakeholders prioritise the issues that effect us help us align evidence and support, forming a structure to our programme. Stakeholder expectations and aspirations have also helped us to identify what might need to be considered in the future development of the programme, like this year's revisions.

We recognised the opportunity to partner with a leading organisation to help develop and deliver our bespoke sustainability programme. Working in close partnership with the advisors, scientists and producers at Oxford (UK) based FAI, we ensure our programme is validated by cross referencing our business and stakeholder analysis against a review of published science relating to each issue. The science review also helps to inform the actions required to effect real impact in the sea, in our factories and in the lives of our staff.



# NET POSITIVE FISHING





## Goal:

**Transform the way we catch fish to ensure continued availability of healthy affordable food from the seas and eliminate our contribution to ocean degradation.**

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The way wild fish is harvested has attracted controversy due to the variability in environmental impact some catching methods can have. Bottom Trawling attracts such attention, which is why Espersen has funded and collaborated on various gear technology improvements for years. Scientific reports show that Bottom Trawling can result in elevated by-catch rates, higher fuel use and be detrimental to the benthic; marine ecosystem impacts that can undermine the future of our industry. The connections between gear use and ecosystem impact is the reason why going forwards we have combined these two work streams into one inspiring vision for 'Net Positive Fishing'.

In a world where a growing global middle class is seeking higher protein diets and nearly 30% of humanity is suffering from malnutrition, fish can play a major role providing the food we both need and want (World Bank, 2013; Tacon and Metian, 2013). If properly treated, our oceans can provide a nutritious meal

every day for 700 million people, or 13 to 15 per cent of the animal protein produced on the entire planet without competing for the critical resources agriculture requires – namely land and fresh water.

To realise this potential Espersen believes we need to do more than tinker around the edges. To play a key part in a healthy diet in the coming decades, the marine fishing industry needs to ensure that our catch is optimised within acceptable environmental impact limits. To achieve this we will continue to bring together experts to propose evidenced and progressive solutions to key fisheries challenges that when scaled can ensure the benefit of marine fish as a long-term high quality source of protein in the human diet.

## Objectives

- Identify and promote new gear technology with improved fish handling, selectivity and reduced energy use and environmental impact
- Demonstrate that the marine fishing industry can play a key part in providing a healthy diet in the coming decades within acceptable environmental and ethical impact limits.

### Seafish Disruptive Technology Initiative

We secured funding from UK agency Seafish to bring industry, innovators and funders together around possible solutions for selective harvesting of wild fish. The goal is to build critical mass within the industry and beyond for the need to fundamentally revolutionise the way fish is harvested through the development of technology that effectively addresses the following six design challenges:

- Improve the selectivity of wild seafood harvesting to reduce by-catch and protect fish stocks
- Eliminate the negative environmental impact that current bottom trawling practices have on the benthic
- Ensure current and future availability of affordable food originating from sustainable fish stocks
- Reduce fuel, energy use and GHG emissions from commercial fishing
- Improve quality and efficiency
- Advance the concept of 'internet of the seas' by collecting and aligning more and better data to build a clearer ongoing picture of the health of our fisheries

### Hermes Videos

As part of our effort to shed light and increase awareness of the reality of modern day fishing we produced a series of short videos in partnership with our supplier Hermes in Norway. Providing rare insight into the life and reality onboard a fishing trawl vessel the series of videos will be launched in the first months of 2016. In the videos Hermes CEO Mr. Jan Roger Lerbukt, says "Fishing is extremely important to me. What we are doing is feeding the world with high quality fish from the cleanest, coldest waters in the world." Following his father and grandfather into the fishing industry, Mr Lerbukt is acutely aware of the importance of seafood sustainability. The fish stocks he relies on for his harvest, he said, are there "not just for today, but for future generations."

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**VIEW OUR VIDEO HERE**

**[WWW.ESPERSEN.COM](http://WWW.ESPERSEN.COM)**

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### **Stockholm Resilience Centre**

In furthering our Net Positive Fishing agenda we have deepened our relationship with the Stockholm Resilience Centre (SRC), at the Stockholm Academy of Sciences. In March, Espersen participated in a research project on how transformations happen by presenting our lessons from working with partners to secure the sustainability of the Baltic Cod stocks.

In October this year Espersen and the SRC hosted FishHack – bringing together 12 people from across the industry, and two from outside to see how their combined experience, insight and brainpower would collaborate and create as a vision for the future of cod fishing in the Baltic Sea. New types of nets, drone fishing and other gear developments, as well as improved ways to store and organize relevant data to be made accessible to all actors was seen as important steps to take the industry forward. The insights from this workshop will be presented in an animation video to be released in 2016 and used to inform the direction of the Seafish Disruptive Technology Initiative.

### **Trawling project with McDonald's Europe**

We are collaborating on a trawling project with one of our customers, McDonald's Europe, to improve existing trawler technology. Results of the project are to be published this year. In addition, we are continuing our financial support to the scientific study on best practice on bottom trawling - *"Trawling: Finding Common Ground on the Scientific Knowledge Regarding Best Practice"*.

### **Baltic Sea Regional Advisory Council**

We joined the Executive Committee of the Baltic Sea Regional Advisory Council. The Council has assessed, identified and proposed key research projects to the European Commission for improved gear technology.

# FISH STOCK MANAGEMENT





## Goal:

**To ensure viable fish stocks through evidence based sourcing decisions**

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Effective Fish Stock Management addresses the fundamentals of securing fish for our future by monitoring our fish stocks and tracing the sources of our catch. As most of the stocks of the top ten species of the world marine fisheries are fully exploited, it is paramount that companies find effective ways to integrate up-to-date scientific data with their purchasing decisions (FAO (2012) The State of World Fisheries and Aquaculture).

To ensure we source fish from well managed fisheries we continue to develop our own Catch-IT database to help inform our decision making and direct our purchasing practices. We also continue to source fish from third party certified sources, notably Marine Stewardship Council (MSC). Purchasing MSC certified fish furthers our goal of complete traceability as well as helps communicate our responsibility to consumers.

## Objectives

- Develop a database to monitor the annual volume of sourced fish (wild and farmed) and to ensure purchasing decisions are based on robust sustainability criteria for fisheries
- Implement electronic traceability systems throughout the supply chain such that all stock can be traced back to source

### **Continuing development of the 'CatchIT' database**

We use scientific data from our fish stock management system to ensure our purchasing decisions are in line with our sustainability credentials. We assess whether a fishery is healthy, requires an action plan or is to be declined by our purchasing teams.

### **MSC Certification**

Espersen have a robust sourcing policy, where high risk areas are identified. We continue to source the majority of our fish from MSC Certified stocks, however, where this is not possible we are committed to help drive improvements. Forming partnerships with researchers, scientists and biologists to perform comprehensive stock assessments.

For example, last year the eastern-Baltic cod fishery MSC Certification was suspended due to a temporary lack of scientific data. At Espersen we have strong historical connections with this fishery and our team will endeavour to work with fishery experts to identify the data needed. In parallel, we support the fishermen in this area by paying the same price for their fish so that they can continue to invest and roll out best practice across their fleet.

### **MSC online transaction system**

We are a member of the technical advisory board and stakeholder committee for the MSC Online Transaction System (MOTs). An online traceability tool designed to improve overall supply chain integrity by validating transactions in the chain and providing certifiers with key information on volumes. Building trust in supply through increased visibility for customers and consumers.

### **Global Sustainable Seafood Initiative (GSSI)**

We are a member of the Global Sustainable Seafood Initiative (GSSI) expert working group to define the process and criteria by which seafood certification programmes become certified. The purpose of the GSSI is to translate principles and requirements of the FAO guidelines into usable and practical indicators and criteria.

# AQUACULTURE

NEW PROGRAMME AREA — ADDED 2016



## Goal:

**To ensure availability of high quality seafood from best practice farms that protects the environment, promotes fish health and welfare and supports the livelihoods of farmers**

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## Objectives

- Ensure complete transparency of all sourcing from aquaculture globally
- Source from third party certifications where they meet our standard of responsible sourcing
- Be a partner to aquaculture farmers in innovating solutions and improving practice

According to the United Nation's Food and Agriculture Organization (FAO), the last three decades have seen global food fish aquaculture production expand "by almost 12 times, at an average annual rate of 8.8 per cent. This has driven the increased demand for seafood globally combined with stagnating volumes of captured fish entering the market. As a result it is estimated that 50% of the seafood consumed today originates from a farm, expected to grow to 62% by 2030. For Espersen this means we also expect our reliance on farmed seafood to grow in the next decades, despite our total figures being small to date.

We are launching this programme area as a signal to the aquaculture industry that Espersen wants to be a partner helping farmers to implement best practice fish health and welfare management and environmental stewardship. Our interest in the sustainability of aquaculture is intrinsically linked with the future success of Espersen and our mission to provide healthy and affordable food to consumers.

In developing this programme we conducted an issue scoping exercise using the 3Es framework of Economics, Ethics and Environment, developed by our partner FAI. This process helps align the challenges facing aquaculture with Espersen's values in order to establish our journey of impact and improvement. The issues identified included the industry's impact on wild fish and the marine ecosystem, the overall availability of seafood, biodiversity, fish handling, welfare and killing, medication use, feed source and the safety, healthfulness and quality of the end product.

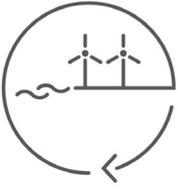
Our immediate focus is to ensure we have full transparency of our sourcing from aquaculture, in parallel with reviewing the extent to which existing third party certification schemes meet our standard of responsible sourcing. Depending on the outcomes of this review process we will consider additional improvement measures and collaborations Espersen can initiate or join in order to innovate and improve aquaculture practices globally.

## WHAT WE ARE DOING

We are currently developing the aquaculture programme area based on input from various stakeholders. In line with our existing programme, we will map our aquaculture supply chain and set up a system to monitor our sourcing from certified systems such as ASC, BAP and Global GAP.

# ENERGY & WASTE





## Goal:

### **Fish processing using all renewable energy and generating zero waste**

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The science is clear. To avoid unprecedented climate risks to society and business, we must hold the global mean temperature rise to less than 2 °C above pre-industrial levels. Impacts of climate change are widespread and consequential, bringing warmer temperatures, rising sea levels, erratic and volatile weather and rainfall patterns, affecting food production, including, fisheries and aquaculture.

While the impacts of climate change could affect every aspect of Espersen's operations, our ability to influence global emissions are limited. From a supply chain perspective, we are helping our suppliers reduce their emissions through investing in trawler gear and technology that requires less energy. We are also making investments in renewable energy for our own operations, and making every effort to reduce the GHG footprint from our processing plants.

The vision of our Energy and Waste programme is to find ways for us to decouple our waste, pollution, water and energy use from our production. Setting our selves up to increase production while capping or reducing our utilisation of these resources holds the key to both economic and environmental benefits by lowering costs and reducing our environmental impact in general and greenhouse gas emissions (GHGE) in particular.

## Objectives

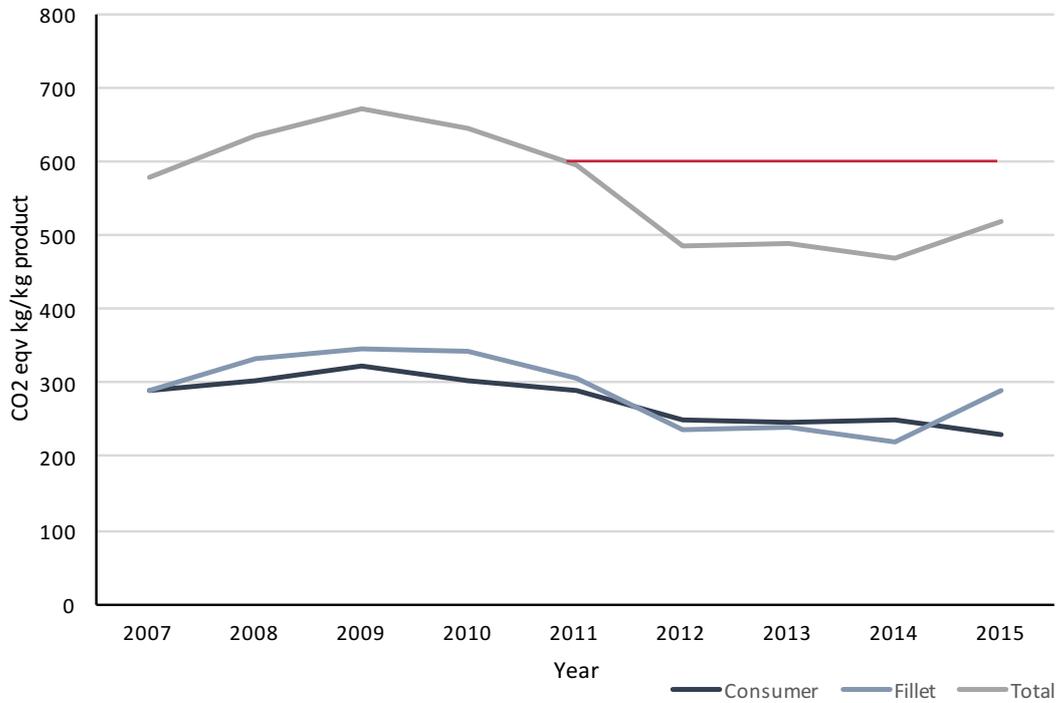
- Reduce potable water intake by 10% over 3 years
- Cap greenhouse gas emissions at 2011 level within the Espersen group
- Increase the amount of renewable energy used in production
- Reduce the overall cost of waste handling by 15% within the next 3 years

## Energy Use

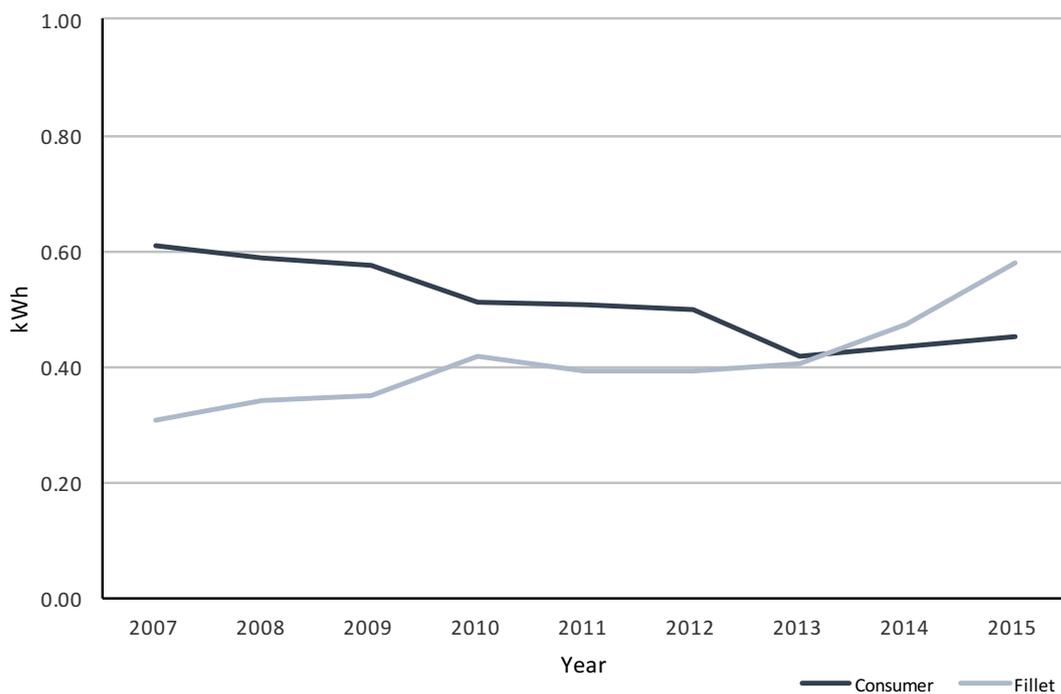
Despite seeing a rise in energy use in our production due to the expansion of our facilities in Asia we are still within the goal of our capped 2011 CO<sub>2</sub> levels. We recognise the need to reduce this and are therefore implementing projects that will have a direct positive impact on our environmental credentials, such as:

- ISO Standards - we are currently working towards ISO:14001 certification at our Hasle facility, this is expected to be completed by the end of 2016; with the aim for all other facilities to be certified within the next 3 years
- Alternative transport solutions - to reduce our CO<sub>2</sub> emissions all of our fish from Asia and nearly 100% of our Norwegian Cod and Haddock will be transported on container ships. 95% of our frozen fish will be transported by rail as an alternative to road and air freight.

**CO2 eqv kg/kg product**

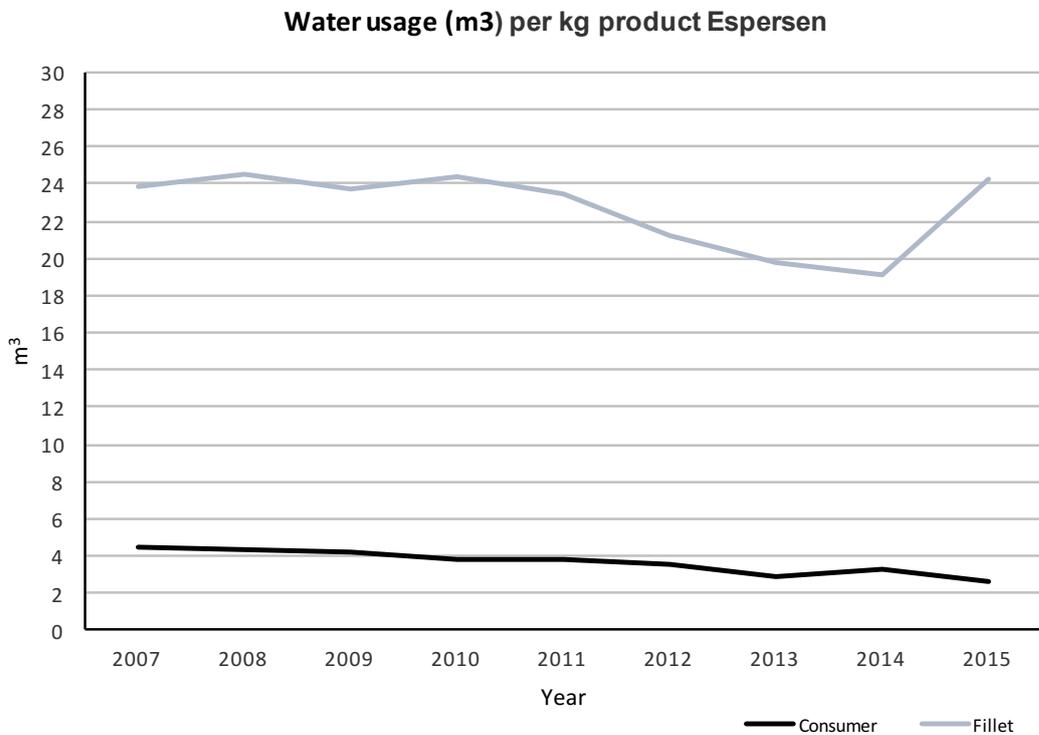


**Energy usage per kg product (kWh) Espersen**



## Water Use

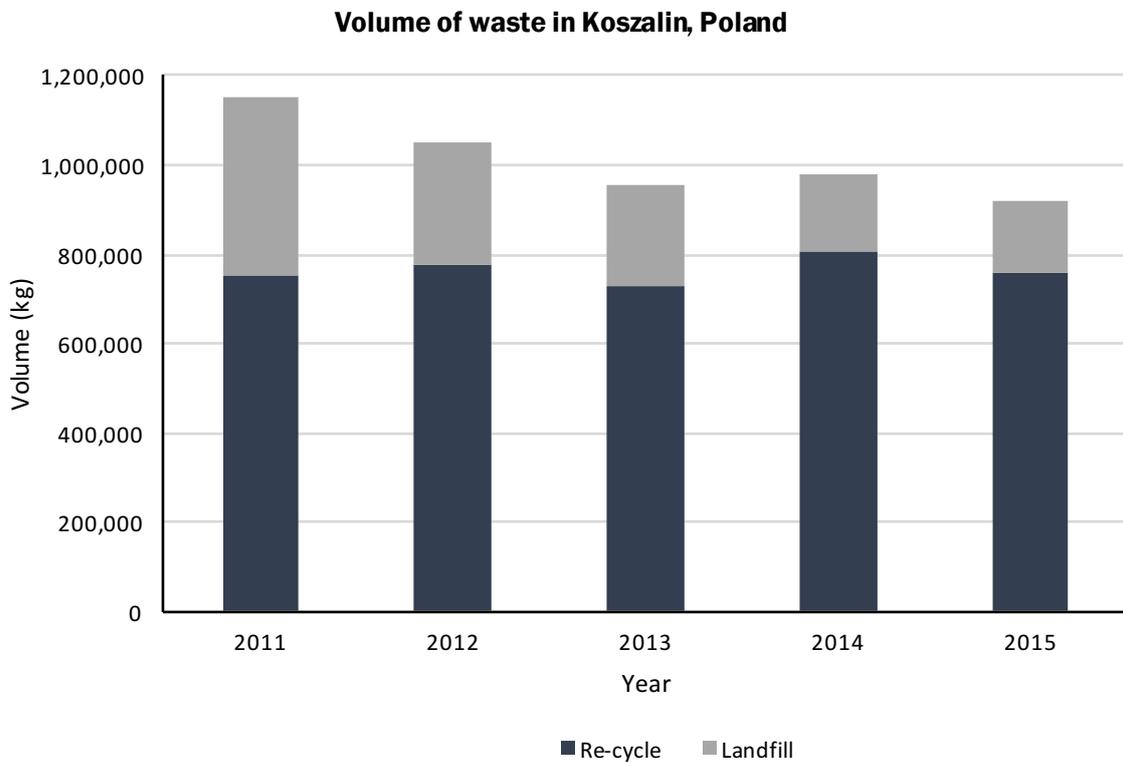
We have seen a decrease in water usage per kg of product in our consumer division, however a rise in our filleting. The rise is due to a 14.3% reduction in production activity from the year 2014 to 2015, meaning our facility was temporarily unable to run at optimum efficiency. Specifically this means increased water use per kg of product at the defrosting stage of the process. We envisage an increase in production this year which will enable us to utilise our state-of-the art equipment and resources in the most efficient manner.



## Waste

We continue to reduce the share of waste going to landfill while increasing recycling of materials such as paper and plastic, as illustrated below with data from our plant in Koszalin, Poland. Inspired by the concept of the ‘Circular Economy’ our focus for the coming year is to identify opportunities for full carcass utilization with the aim to eliminate fish and organic waste by ensuring everything gets used for various value-added products.

We will also update the goals and objectives for our Energy & Waste program, along with improve the data collection across our business in order to drive the right incentives for plant managers.



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**“A CIRCULAR ECONOMY IS RESTORATIVE AND REGENERATIVE BY DESIGN, AND AIMS TO KEEP PRODUCTS, COMPONENTS, AND MATERIALS AT THEIR HIGHEST UTILITY AND VALUE AT ALL TIMES”**

**- ELLEN MACARTHUR FOUNDATION**

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# WORKER WELFARE





### Goal:

**All our employees to recognise Espersen as a good employer, wherever we are in the world**

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For Espersen to continue to deliver excellence and compete in the global market we rely on a global work force. Our workers are the backbone of our business and we want our workers to feel respected and taken care of by Espersen. The Worker Welfare programme is focussed on three key areas: health, wealth and education and it is run by our dedicated People Team.

Across our processing factories 65% of our employees are women. Women play a vital role in the seafood sector, and their skills and talent are necessary for the economic and social development of our societies. Despite a general trend towards more equality in society, progress to eliminate the gender pay gap remains slow. At Espersen we believe the continued undervaluing of women's work and the under-utilisation of women's skills is a lost resource for us as a company as well as the

economy and society at large. This is why we are currently reviewing our pay structure to ensure gender pay equality, and implementing health and welfare arrangements that help our employees balance work and family responsibilities.

## Objectives

- Create a human-centred strategy for worker welfare (under the framework of health, wealth and education) that can be applied in all countries where Espersen work
- Maintain a baseline standard such as the Ethical Trading Initiative (ETI) code and review regularly

### **Occupational Health and Safety**

We uphold good health and safety across all of our sites. We are currently in the process of implementing the BS OHSAS 18.000, a health and safety management system that will help us to achieve the best possible working conditions and workplace health and safety. The certification is aligned to internationally recognised best practice and will be rolled out across all of our sites by the end of 2018.

### **Espersen Leadership Programme**

The Espersen Leadership Programme is designed to align our business goals with Company values. All new senior management take part in the four-day training modules focussed on culture, values, behaviour and measurable objectives, which are fundamental to the sustainability of the business.

### **Espersen Supply Approval Process**

Our in-house supplier approval process and risk management team constantly monitor quality, social and ethical issues across our full supply chain and aim to drive improvements on our health, wealth and education framework.

### **Worker Welfare Auditing**

As a baseline standard Espersen adheres to the Ethical Trading Initiative (ETI) principles, and has passed both ETI, BSCI and customer specific audits in all of our processing plants. To monitor our progress on worker welfare we use a three-tiered framework (Bronze, Silver & Gold - see figure 2). All sites meet a minimum of the Bronze requirements.

To move beyond the baseline we analyse site specific employee requirements through employee engagement initiatives. For example, in Koszalin, Poland we provide support for our employees to take English lessons.

### **Partnership with Food Bank in Denmark**

If we have a supply of surplus frozen fish product at our production site in Frederica, we provide this to the non-profit organization – Food Bank – in Denmark. Food Bank is helping to reduce foodwaste and provides vulnerable citizens with a source of healthy and nutritious food.

### Support to Children’s home in Novgorod

Since 2015, we have been sponsoring a children’s home in Novgorod, Russia, where we provide a monthly delivery of Espersen product for the children.

Over the festive season, we facilitated a site visit for the children to learn about the industry and what we do, as well as providing some festive gifts. This initiative will continue in 2016.

**Figure 2.** People Programme framework: example initiatives

	HEALTH	WEALTH	EDUCATION
<b>GOLD</b>	<ul style="list-style-type: none"> <li>Ergonomic innovations</li> <li>Financial support for a physiotherapist</li> </ul>	<ul style="list-style-type: none"> <li>Social fund for employees ‘outside of work’ activities</li> </ul>	<ul style="list-style-type: none"> <li>Classes in work time e.g. English, finance, maths</li> <li>Support by allowing free time for studies</li> </ul>
<b>SILVER</b>	<ul style="list-style-type: none"> <li>On site medical equipment / care &amp; training (above national requirement)</li> <li>Job rotation</li> <li>Out of office team activities</li> </ul>	<ul style="list-style-type: none"> <li>Competitive salaries</li> <li>Espersen food products subsidised for employees</li> <li>Subsidised transport to and from work</li> </ul>	<ul style="list-style-type: none"> <li>Regular employee performance appraisals to identify staff training and support needs</li> <li>A range of courses are provided for specific issue training</li> </ul>
<b>BRONZE</b>	<ul style="list-style-type: none"> <li>Ensuring all key employee training and compliance requirements</li> </ul>	<ul style="list-style-type: none"> <li>Ensuring all legal requirements relating to working hours, sick pay and minimum wages are met</li> </ul>	<ul style="list-style-type: none"> <li>All new employees receive induction training</li> <li>All employees are trained to meet legal requirements in relation to food safety / hygiene and good manufacturing practice</li> </ul>
Compliance with ETI standards			

# APPENDIX

# Esperen Key Figures

## Gender diversity on the Board and management

At Esperen we are committed to creating a positive workplace where our employees feel motivated and valued, and each person has an equal opportunity to reach their full potential.

As highlighted in our previous report, women at Esperen are currently underrepresented at management level (Table 1). The female representation of the Board of Directors increased in 2015 from 0 % to 17 %. We will continue our efforts in reaching our established target.

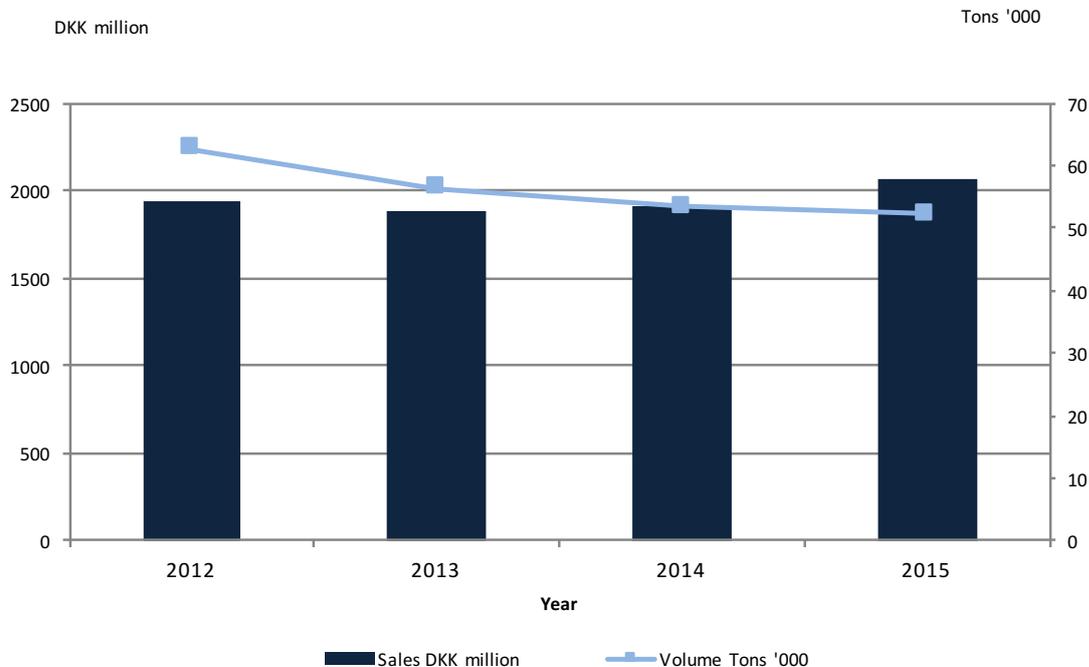
We are continuing to implement projects to increase the number of women at a senior level. Both through internal and external recruitment, and robust training schemes.

Our goal is to have at least 20 per cent women on the Board by 2018 as we recognise the benefits of creating a better balance within our workforce.

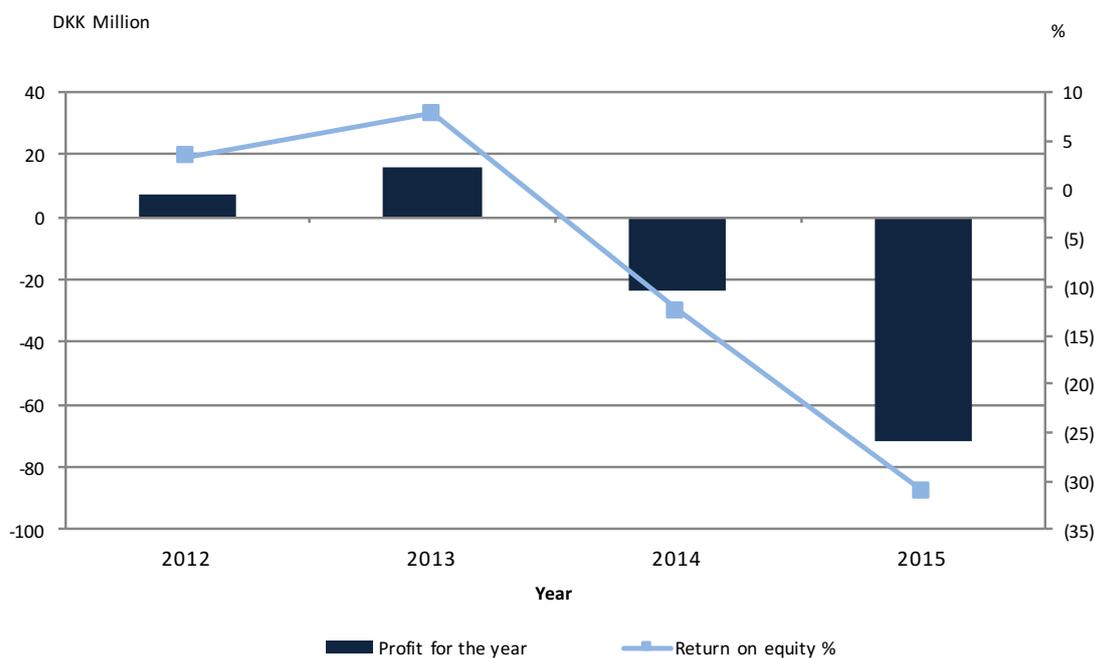
	2015				2014			
	Male	Female	Total	% Female	Male	Female	Total	% Female
Board of Directors	5	1	6	17	7	0	7	0
Executive Board of Directors	3	0	3	0	3	0	3	0
Extended Group Management	18	2	20	10	12	3	15	20
Directors - Senior managers - Managers	92	78	170	46	90	60	150	40
All employees	790	1462	2252	65	705	1362	2067	66
Participating in Leadership Program							139	6.7

# Financial Information

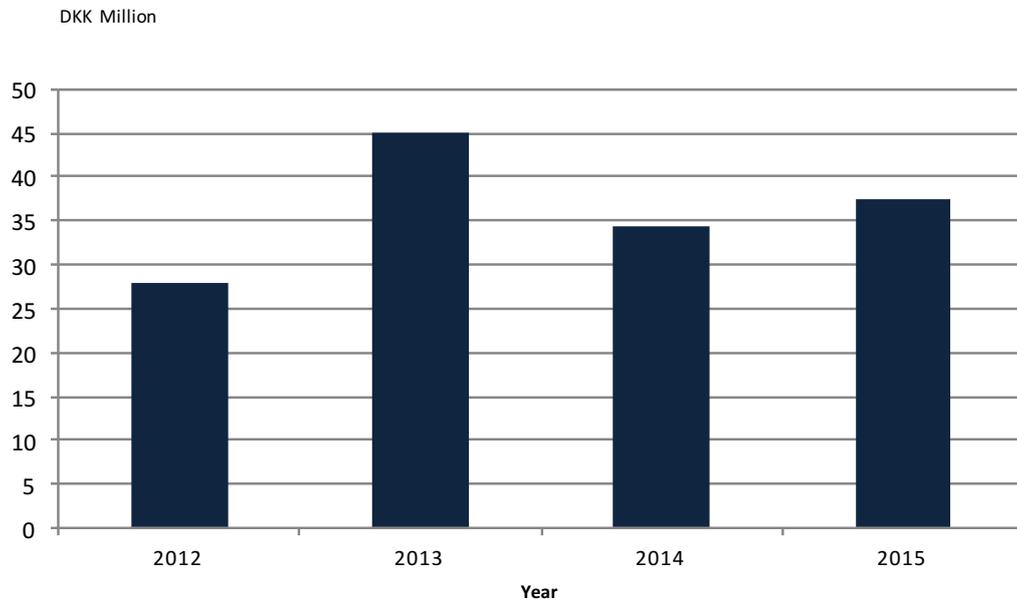
Revenue and Volume



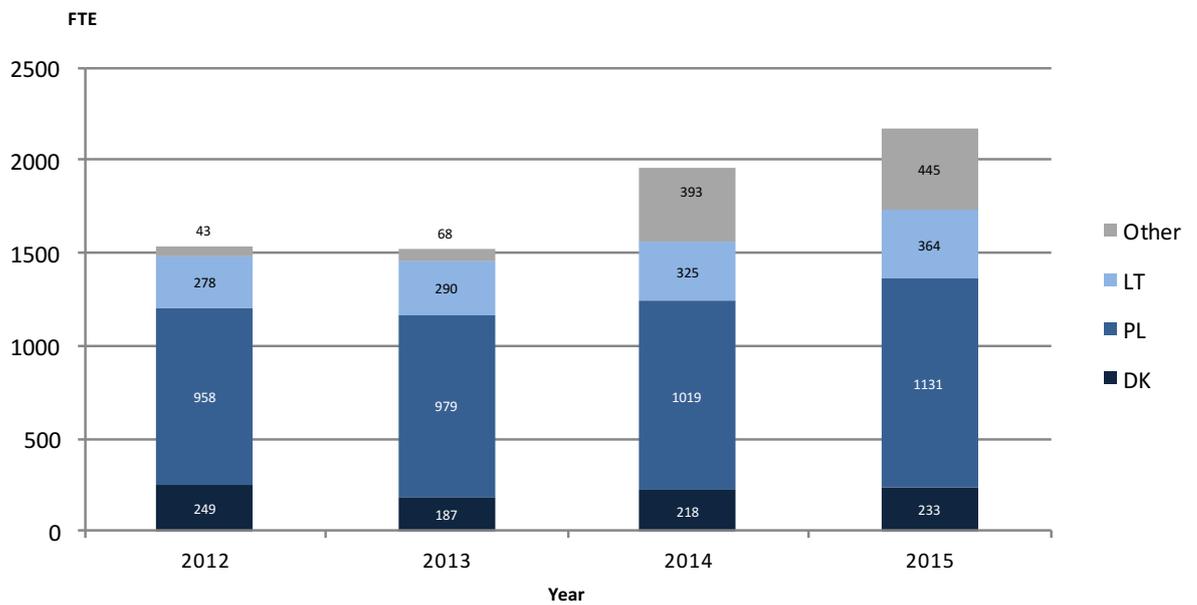
Profit for the year and return on equity



## Investments



## Full time employees





[www.espersen.com](http://www.espersen.com)

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