



# Sustainability Report 2016

Delicious seafood with passion

March 2017



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This report includes Espersen's statutory statements on corporate social responsibility and gender composition of management for 2016 as required by paragraphs 99a and 99b of the Danish Financial Statements Act.



## From the CEO

Espersen has almost 80 years experience of working passionately with our customers and suppliers to create great consumer experiences with delicious seafood products.

We believe access to affordable, delicious and healthy seafood is of paramount importance in a resource scarce world where the population is growing and where 2bn people lack the nutrients they need to live a healthy life. This is why we invest time and resources into being a responsible company to whom sustainable development is a natural, vital part of our day-to-day operations.

As a world leader in the processing of high quality frozen fish blocks, frozen fillets, specials cuts, and breaded and deluxe puff pastry fish products our survival depends on the

sustainable management of global fisheries. Our customers are some of the utmost quality-conscious and largest multi-national food corporations in the world helping us communicate the health and sustainability value of seafood to the ever-discerning global consumer. In order to drive sustainable, long-term value creation for our customer we control our value chain, deliver a full assortment and strive to be innovative in everything we do.

Our corporate strategy is based on a strong 'Integrated Company' approach where sustainability and

good business go hand in hand. This year's report therefore begins by describing our new overall business model before exploring the context, progress and planned next steps for our sustainability program 'Our seas, our fish, our food'. Finally we present Espersen's financial performance in FY16.

I hope you will enjoy it.

**Klaus B. Nielsen**

# Espersen business model

## Winning with our customers

Our new strong 'Integrated Company' strategy sets out our three core competencies which together will prepare Espersen for a successful future.

### 1 Leading position

The seafood industry is global. Therefore, we must be a significant player in the markets where we operate. Currently we have production plants and non-production units in Denmark, France, Lithuania, Poland, Russia, Spain, UK and Vietnam. Moreover, to achieve scale advantages, increased customer value and a world-class supply chain we drive continuous improvement via aligned best practice processes across the Group. To be able to focus on increased customer value through top product quality and excellence in on-time delivery, the improvement programs focus on four key elements in order of priority: Safety, Quality, Delivery and Cost.

To maintain competitiveness we are constantly focused on improving our productivity and utilizing our scale to be cost efficient. Maintaining and delivering the highest quality is paramount to us, and the seafood produced by Espersen is recognized for its superior quality. We rely on the raw material we source, which is predominantly white fish species such as cod, haddock, hoki, pollock, and saithe.

### 2 Sustainable production

Sustainability and good business go hand in hand. Our focus on sustainability also gives us a competitive advantage as customers increasingly look for sustainability as a differentiator. We source the raw materials and ingredients responsibly.

We aim to make a positive difference to the communities and environments in which we operate, acting responsibly to deliver sustainable results. We also look to reduce our impact on the environment by focusing on efficient energy use, minimizing water consumption and waste.

Everything we do is geared towards continued access to fish resources, so carefully managed fisheries are vital to us. With the support of our highly skilled and committed workforce, we continue to take the required steps to help lead the fish industry on a sustainable pathway. We are internationally recognized for our sustainable approach throughout the entire value chain and for the superior quality of our products delivered to the most demanding, international food companies in the world. We offer a range of products from sustainability certification schemes such as Marine Stewardship Council, ASC, and GAA.

### 3 Innovation

Innovation is integral to our business. We innovate to differentiate. We want to provide our customers with solutions — products and or processes — they are going to need tomorrow, thereby putting them in a better position than their competitors. This is based on our ability to understand customer needs. Across the Group, deep customer application knowledge and unique expertise are what make Espersen unique.

#### Winning culture and strong values:

Espersen is a company where we do what we say and say what we do. To live this every day we are guided by the following set of values:

- We are honest
- We are agile
- We are innovative
- We act sustainable
- We want to win
- We communicate clearly

## Key facts

- Cod, haddock, hoki, pollock, and saithe — the white fish species we predominately rely on for our frozen and chilled seafood
- International Headquarters for A. Espersen A/S: Fiskerivej 1, DK-3700 Roenne, Denmark Phone: +45 5690 6000
- Primary Production account for about 45% of the total revenue, and Consumer Production represents about 55% of the total revenue
- In 2016, we employed 2,374 people located in Denmark, France, Lithuania, Poland, Russia, Spain, Hong Kong and Vietnam. 68% of our employees are women



## Locations

**Denmark:** Roenne (office), Hasle (consumer), Fredericia (consumer), Copenhagen (office)

**Poland:** Koszalin (primary, consumer)

**Lithuania:** Klaipeda (primary)

**Russia:** Novgorod (consumer)

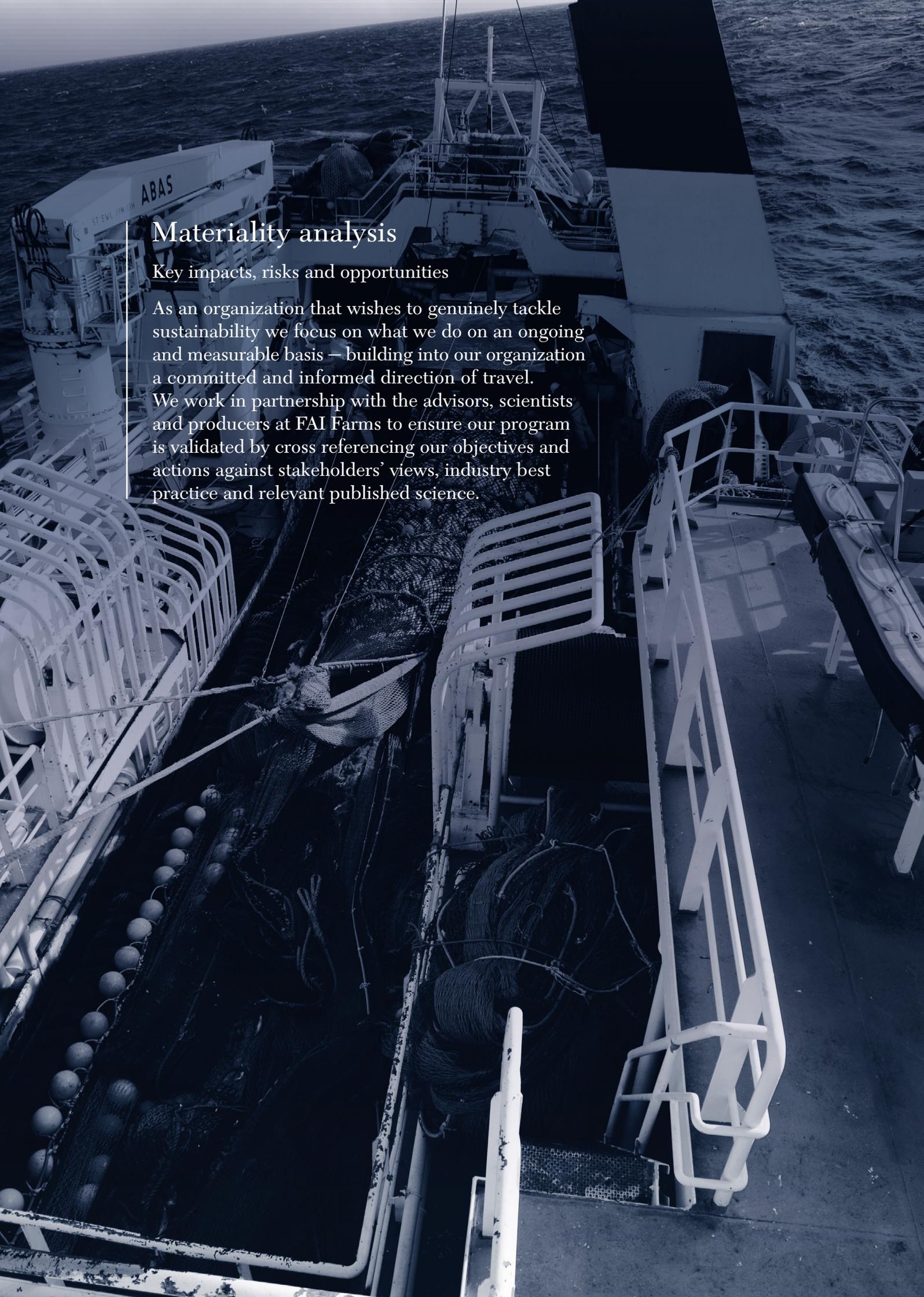
**Vietnam:** Ho Chi Minh City (primary)

**Hong Kong:** (office)

**France:** Boulogne-sur-Mer (office)

**Spain:** Barcelona (office)

**UK:** London (office)



## Materiality analysis

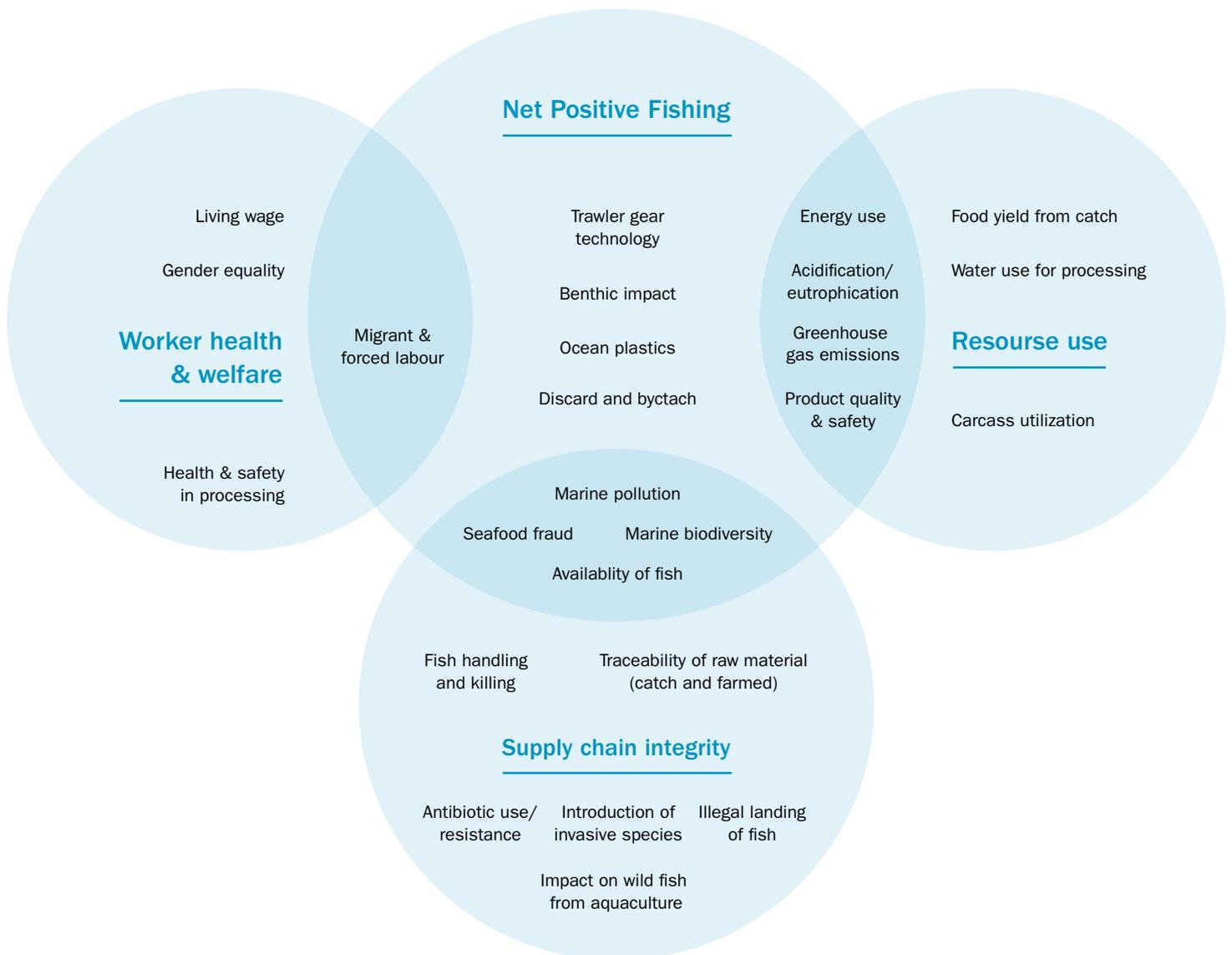
Key impacts, risks and opportunities

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

We work in partnership with the advisors, scientists and producers at FAI Farms to ensure our program is validated by cross referencing our objectives and actions against stakeholders' views, industry best practice and relevant published science.

**We implemented the following five steps to develop our program;**

- 1 Identified our business ‘footprint’ to establish our reach and potential impact across our entire supply chain.
- 2 Captured relevant direct and indirect sustainability issues which impact our business, and which we in-turn have an impact on, using the 3E framework of ethics, environment and economics (see diagram below).
- 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.
- 4 Reviewed published science relating to the issues identified to highlight key scientific evidence for each issue.
- 5 Developed bespoke program areas based on the reviews of data, evidence and insight (see diagram below).



## Our sea, our fish, our food

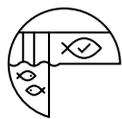
Sustainability is about being fit for the future, which means being ready to adapt your approach and efforts. For Espersen it means that we continuously review our program to ensure it tackles the most pressing issues facing our business and the environment in which we operate in the most effective way. The areas we work in are identified and supported by the priorities of internal and external stakeholders as well as ongoing review of published fisheries science.

### Focus & goals



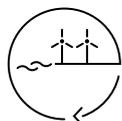
#### Net Positive Fishing

Conserve and sustainably use the oceans, seas and marine resources as a vital source of healthy and affordable food.



#### Supply chain integrity

Secure traceable supply of 'delicious seafood with passion' from viable fish stocks and best practice aquaculture.



#### Resource use

Use resources responsibly with the aim of decoupling waste, water and energy use from our production footprint.



#### Worker health and welfare

Ensure all our employees recognize Espersen as a good and safe place to work, wherever we are in the world.

## Objectives & results

| Focus Area                | Objective   | Reported Results  |
|---------------------------|---|---|
| Net Positive Fishing      | Identify and promote new gear technology with improved fish handling, selectivity and reduced energy use and environmental impact.  | <ul style="list-style-type: none"> <li>→ Disruptive gear workshop</li> <li>→ Energy efficiency in Baltic cod fishery</li> </ul>   |
|                           | 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. | <ul style="list-style-type: none"> <li>→ Collaboration to protect Arctic fishing grounds</li> <li>→ Fishing for the future communications/videos</li> </ul>   |
| Supply chain integrity    | Ensure purchasing decisions are based on robust sustainability criteria and implement monitoring system of all sourced fish (wild and farmed).                                | <ul style="list-style-type: none"> <li>→ 95% of sourced wild caught fish from MSC certified fisheries</li> <li>→ Supplier assessment</li> <li>→ Founding member of GSSI</li> <li>→ Modern Slavery Act</li> </ul>  |
|                           | Implement electronic traceability systems throughout the supply chain so that all stock can be traced back to source.   | <ul style="list-style-type: none"> <li>→ Business integrity and prevention of fraud in seafood</li> <li>→ Continued development of Catch-IT database and future integration with supplier monitoring system</li> </ul>  |
| Resource use              | Cap greenhouse gas emissions at 2011 level within the Espersen group.   | <ul style="list-style-type: none"> <li>→ GHG below 2011 level achieved</li> </ul>   |
|                           | Decouple energy use from kg of product produced.  | <ul style="list-style-type: none"> <li>→ Energy use per kg product (consumer and primary) fell from the 2015 high point. Energy assessments underway</li> <li>→ ISO: 14001 certification of facility in Hasle, Denmark</li> </ul>   |
|                           | Decouple water use from kg of product produced.   | <ul style="list-style-type: none"> <li>→ Increase in water use for 'consumer' production, offset by reduction in water use per kg of primary production from 2015 high point</li> </ul>   |
|                           | No waste to landfill.   | <ul style="list-style-type: none"> <li>→ Not achieved. Increased volume of waste to landfill</li> <li>→ Establish new high-level steering committee to drive improvements</li> </ul>  |
|                           | 90% Carcass Utilization of fresh/frozen fish by 2022.   | <ul style="list-style-type: none"> <li>→ Not achieved. At group level 74.8% of sourced fish is used for human consumption</li> <li>→ 94% in Consumer 65.8% in Primary</li> </ul>  |
| Worker health and welfare | Maintain the Ethical Trading Initiative (ETI) as our baseline standard and to review it regularly for continuous improvement.   | <ul style="list-style-type: none"> <li>→ 100% of facilities are ETI Base Code certified or audited to customer specific higher standards</li> <li>→ Reporting and acting on accidents in the workplace</li> <li>→ Health and safety at work program (OHSAS 18.001)</li> </ul>   |
|                           | Ensure at least 25% of appointed Board members are women by 2018.   | <ul style="list-style-type: none"> <li>→ Achieved. One of the four appointed board members are women. The Board of Directors consists of six members, four are appointed and employees elect two members</li> <li>→ Policy and goal for improving female representation at every level of management to be established 2017</li> <li>→ Leadership training</li> </ul> |

## Espersen and the Sustainable Development Goals (SDGs)

Food systems are integral to the health of people and the sustainability of the planet. Developing inclusive, sustainable, efficient, nutritious and healthy food systems will be essential in order to achieve the Sustainable Development Goals (SDGs). Currently, nearly half of the world's population does not eat a properly nutritious diet and Espersen believe seafood holds a critical position within food systems to help address this crisis.

Oceans cover three quarters of the Earth's surface, contain 97% of the Earth's water, and represent 99% of the living space on the planet by volume. Oceans already serve as the world's largest source of protein, with more than 3 billion people depending on the oceans as their primary source of protein. Furthermore, marine fisheries directly or indirectly employ over 200 million people. This makes the seafood sector and companies like Espersen a natural partner in the global effort to meet the SDGs. Of particular relevance and influence for Espersen are goals 2, 5, 7, 8, 12, 13 and 14. Below is a short summary of these goals and relevant targets included in our sustainability program.



|   | Sustainable Development Goals (SDGs)   | Target   | Espersen focus & goals   |
|---|--|--|--|
|    | <p><b>Goal 2: Zero hunger</b></p> <p>End hunger, achieve food security and improved nutrition and promote sustainable agriculture</p>  | <p>(2.1) By 2030, end hunger and ensure access by all people, in particular the poor and people in vulnerable situations, including infants, to safe, nutritious and sufficient food all year round</p> <p>(2.4) By 2030, ensure sustainable food production systems</p>   | <p>→ Net Positive Fishing</p> <p>→ Supply chain integrity</p> <p>→ Resource use</p>      |
|    | <p><b>Goal 5: Gender equality</b></p> <p>Achieve gender equality and empower all women and girls</p>   | <p>(5.5) Ensure women's full and effective participation and equal opportunities for leadership at all levels of decision-making</p>   | <p>→ Worker health and welfare</p>   |
|    | <p><b>Goal 7: Affordable and clean energy</b></p> <p>Ensure access to affordable, reliable, sustainable and modern energy for all</p>  | <p>(7.2) Increase substantially the share of renewable energy in the global energy mix</p>   | <p>→ Resource use</p>  |
|    | <p><b>Goal 8: Decent work and economic growth</b></p> <p>Promote inclusive and sustainable economic growth, employment and decent work for all</p>   | <p>(8.4) Decouple economic growth from environmental degradation</p> <p>(8.5) Full and productive employment and decent work for women and men</p> <p>(8.7) Take immediate and effective measures to eradicate forced labour, end modern slavery and human trafficking</p> <p>(8.8) Protect labour rights and promote safe and secure working environments for all workers</p>   | <p>→ Resource use</p> <p>→ Worker health and welfare</p> <p>→ Supply chain integrity</p> |
|  | <p><b>Goal 12: Responsible consumption and production</b></p> <p>Ensure sustainable consumption and production patterns</p>  | <p>(12.3) By 2030, halve per capita global food waste at the retail and consumer levels and reduce food losses along production and supply chains, including post-harvest losses</p> <p>(12.5) By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse</p>   | <p>→ Net Positive Fishing</p> <p>→ Resource use</p>                                      |
|  | <p><b>Goal 13: Climate action</b></p> <p>Take urgent action to combat climate change and its impacts</p>   |  | <p>→ Net Positive Fishing</p> <p>→ Resource use</p>                                      |
|  | <p><b>Goal 14: Life below water</b></p> <p>Conserve and sustainably use the oceans, seas and marine resources</p>  | <p>(14.2) Sustainably manage and protect marine and coastal ecosystems</p> <p>(14.4) Effectively regulate harvesting and end overfishing, illegal, unreported and unregulated fishing and destructive fishing practices and implement science-based management plans, in order to restore fish stocks in the shortest time feasible</p> <p>(14.A) Increase scientific knowledge and develop research capacity in order to improve ocean health</p> <p>(14.C) Enhance the conservation and sustainable use of ocean and their resources</p> | <p>→ Net Positive Fishing</p>  |
|  | <p><b>Goal 16: Peace, justice and strong institutions</b></p> <p>Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels</p> | <p>(16.5) Substantially reduce corruption and bribery in all their forms</p>   | <p>→ Supply chain integrity</p>  |



## Net Positive Fishing

**Goal:** Conserve and sustainably use the oceans, seas and marine resources as a vital source of healthy and affordable food.

### 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

### Introduction by Alex Olsen, Head of Sustainability



Global demand for protein is expected to increase by 80% by 2050, due to population growth and changing consumer patterns. The majority of the animal protein consumed globally comes from land-based agriculture. As a result most of the land we think of as farmland is used to grow feed for animals, not food for people. However with land being a scarce resource there are fewer and fewer options for expanding production.

Climate change is further adding to this challenge. Scientists predict unprecedented temperature increase in the tropics and subtropics during the growing season, potentially reducing crop yields in those regions by 20 to 40%.

Against this backdrop we believe, that seafood has the potential to meet global demand for protein at a fraction of the environmental cost

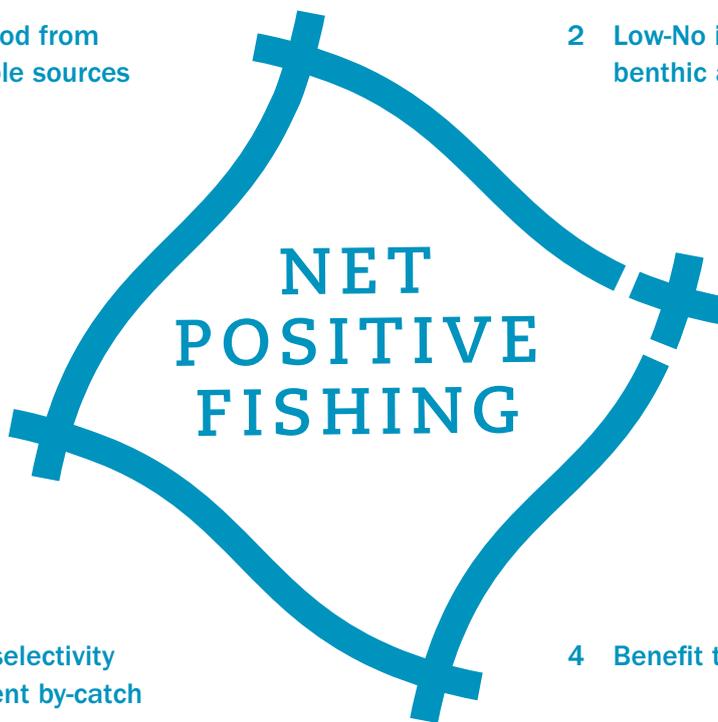
of land-based proteins. While the opportunity to increase production is great, we also recognize that there are social and environmental challenges we have to overcome. Our industry needs to operate even more sustainably by rigorously eliminating human rights abuses and eradicating negative ecological impacts.

To help achieve this, we launched the Net Positive Fishing initiative. The goal is to mobilise and inspire the marine fishing industry to play a bigger role in defining and providing a healthy diet in the coming decades. This means we have to find new and innovative ways to both optimise our harvest within acceptable environmental impact limits, get better at promoting responsible seafood as part of a healthy lifestyle for all.

Net Positive Fishing is essentially an ongoing design challenge that we invite companies, governments and individuals to take part in. The challenge is clear, help us find solutions that meet the following four objectives:

1 Quality food from sustainable sources

2 Low-No impact on the benthic and reduce GHG



3 Improve selectivity and prevent by-catch

4 Benefit the fishermen

Net Positive Fishing  
What we have done

## Disruptive gear technology workshop

In May 2016 Espersen, along with Icelandic Seachill and Nomad Foods hosted a workshop aimed at reimagining fishing as we know it. Co-funded by the UK seafood authority Seafish and facilitated and hosted by our partner FAI Farms, the workshop brought together industry actors and fishermen, scientists and technology developers to prototype transformational design concepts for new gear to effectively address the problems with bottom trawling.

To ensure a sustainable future for our fisheries, our oceans and the livelihoods of fishing communities, we have to disrupt the way we catch fish. The workshop brought to bear recent developments in underwater image recognition, seaborne drones, light and laser technology which are expanding our capabilities to better navigate the seas. We also invited experts in fish behaviour and good fisheries management. Together these experts generated multiple design concepts to help transform how wild seafood is harvested.

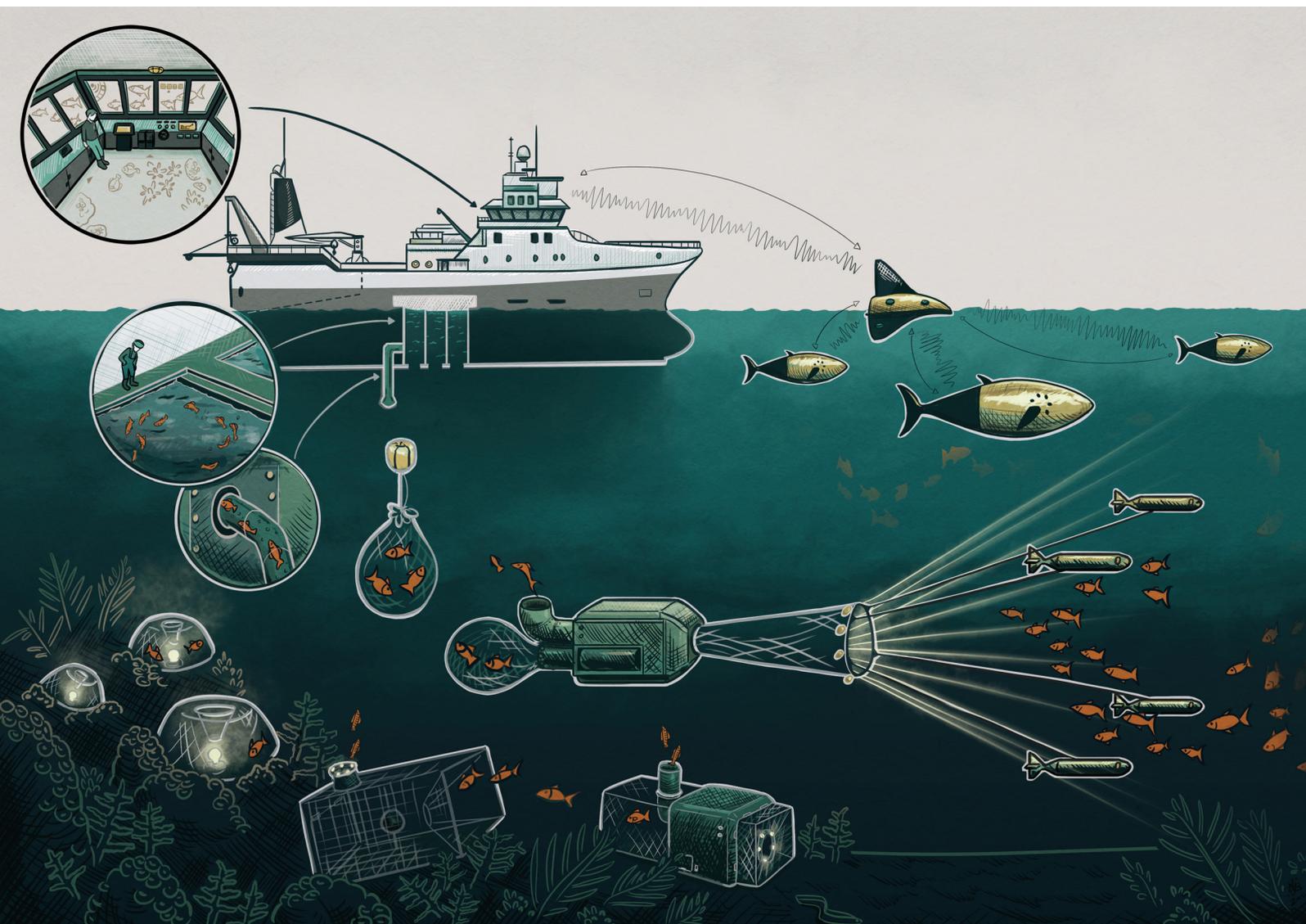
The illustration represents a collective vision for seafood disruption.

■ [Click here](#) to view our disruptive technology workshop video

## Energy efficiency in the Baltic Sea cod fishery

Between 2014 and 2016 Espersen together with McDonald's Europe led a project with the purpose of demonstrating that it is possible to reduce impact on the seabed and at the same time increase profitability by using known technology in an unusual combination.

The project used pelagic trawl doors and new thinner Dyneema twine in the trawl, in order to make the whole rig lighter, thereby reducing the impact on the seabed compared to traditional gear. We constructed a bigger trawl with better catch performance and lower energy consumption/kg fish compared to the traditional trawl. These changes provided a significant improvement to the operating costs of the vessel while also addressing some of the criticism raised by environmental organizations towards bottom trawling.



## Collaboration to protect Arctic fishing grounds

An Espersen-led industry group won the 2017 Responsible Business Award for an international agreement to protect the marine environment in the Northeast Atlantic.

In May 2016, an international group of trade associations, food service companies, unions, processors, manufacturers and retailers agreed a precautionary measure to not expand fishing activities in a part of the Arctic Ocean that was becoming ice-free due to climate change. The agreement undertook *“not to expand activities with trawl gear into those areas where regular fishing has not taken place before”*. The protected area covers the Barents seas around and north of the islands of Svalbard in Norway to the North Pole, encompassing both Norwegian and international waters.

Espersen took on a coordination role to bring all relevant industry partners together, including associations of fishermen and vessel owners in Norway and Russia — the major frozen food producers — as well as global retail and food service brands like McDonald’s and Tesco.

Frida Bengtsson, Senior Ocean Campaigner with Greenpeace Nordic welcomed the agreement saying:

**“We are witnessing a truly important moment when global brands in the fishing industry start to say ‘no’ to Arctic destruction and agree to prevent fishing fleets from expanding their search for cod into sensitive and previously ice-covered areas.”**

With fish consumption per capita almost doubling over the past half century, the need for sustainable fisheries management is paramount. Fisheries and aquaculture now support an estimated 10 to 12 per cent of the world’s population, 54 million of them fishers and fish farmers, the rest employed in packaging, processing and other aspects of the supply chain.

The Ocean Awards are held in partnership with Boat International and the Blue Marine Foundation and celebrates individuals, companies, legislators and projects that have made outstanding contributions to the health of the oceans. Its Responsible Business Award recognises the company or group of companies that have done the most to ensure that their business operations are not undertaken at the expense of the marine environment.

Receiving the award, Alex Olsen, Head of Sustainability at Espersen said:

“Espersen takes an active role in protecting the marine environment and its cod stock in the Norwegian and Barents Seas. The richness of the seas has potential to feed the ever-growing population of the planet. We have to think long-term and ensure that next generations can also enjoy seafood.”

Image: Boat International



## Net Positive Fishing What are we doing

In the video Norwegian fisherman and CEO of Hermes 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, not just for today, but for future generations. Trying to be at the forefront of evolving the fisheries into the future – that makes me proud everyday”.

## Communication: fishing for the future

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 four videos was launched in the spring of 2016.

■ [Click here](#) to view the video

- 1 Fishing for the future
- 2 Driving transformational change
- 3 Producing quality seafood
- 4 Caring for our people

Our goal is to help our customers tell these stories to their end-consumers in order to inspire responsible seafood consumption. McDonald's Germany just launched a campaign focused on the story behind the Filet-O-Fish.

In December 2016 McDonald's Germany visited our factory in Hasle on Bornholm, where we produce the fish for the Filet-O-Fish. They made a video about our production and the high quality of fish caught by Hermes through profiling our Production Manager Stig Nielsen.

■ [Click here](#) to find out more about the Filet-O-Fish campaign



## Seaweb seafood summit – lightening round presentation

Espersen will be part of the program at the world's premier conference on seafood sustainability SeaWeb Seafood Summit in Seattle June 5–7. We will be giving an interactive presentation focused on the results from the **disruptive gear technology** workshop held last year.

Seaweb brings together global representatives from the seafood industry with leaders from the conservation community, academia, government and the media. The goal of the Summit is to define success and advance solutions in sustainable seafood by fostering dialogue and partnerships that lead to a seafood marketplace that is environmentally, socially and economically sustainable.

This is the perfect place to expand our search for partners and investors that can help take these concepts from the drawing board to common practice in the industry. We need funds and support to develop the most viable concepts that can help solve the problems of trawler fishing once and for all and build a net positive future for our fisheries and fishing communities, our oceans and our seafood.

## Collaboration to protect Arctic fishing grounds

Espersen will continue to coordinate the activities and ongoing roundtable discussions associated with the protection of the marine environment in the Northeast Atlantic. With the existing fishing footprint defined, next steps will be to agree and establish a robust system to monitor fishing activities in these areas and to ensure that all companies which have signed up to the agreement limit their fishing and buying activities to the agreed allowed areas.



## Supply chain integrity

**Goal:** Secure traceable supply of 'delicious seafood with passion' from viable fish stocks and best practice aquaculture.

### Objectives

- Ensure purchasing decisions are based on robust sustainability criteria and implement monitoring system of all sourced fish (wild and farmed)
- Implement electronic traceability systems throughout the supply chain so that all stock can be traced back to source

### Introduction by Ole Keilberg, CFO



"We say what we do, and we do what we say" is a long held value at Espersen. Therefore, it is natural for us to consolidate our program this year by creating a new work stream called supply chain integrity, combining the portfolio of work from fish stock management and aquaculture. We are doing this to respond better to the need for a unified and transparent approach to our raw material sourcing, regardless of whether the fish comes from oceans or farms.

With this new work stream, we want to underline Espersen's continued commitment and partnership with the fishing sector as well as highlight the need for us to build stronger relationships with the growing aquaculture sector. Combined is the only way we will meet our objective to secure traceable supply of 'delicious seafood with passion' from viable fish stocks and best practice aquaculture.

As an international company with activities in many countries, Espersen wants to show that it is possible to grow a healthy global business based on values such as responsibility, accountability, openness, and honesty. This is why we launched the business integrity program aimed at combating corruption and fraud in all their forms. Integrity in the way we do business has characterized Espersen throughout our history and will continue to do so in the future.

## Supply chain integrity

### What we have done

All suppliers have to complete a self-assessment questionnaire through the Sedex portal. If satisfactory documentation is provided the supplier will be registered as 'temporarily approved' and our buyers will be able to place orders with them. In cases where important information is missing a visit to the producer has to be arranged before the producer can deliver goods or services to Espersen.

A supplier is given the status of 'finally approved' only after we have done an intake control of the goods and/or a made a satisfactory audit visit to the supplier's site. In the case of food suppliers the visit will take place within 6 months after the first delivery. For other suppliers we aim to visit at the latest 12 months after the first delivery. Suppliers of isolated deliveries are not included.

Staff members conducting quality and hygiene or ETI audits at suppliers' sites must have taken part in auditing courses or have obtained similar skills by internal training and experiences. The Quality Assurance Director and Head of Sustainability are responsible for these courses and training. In case external consultants are used the QA/Sustainability departments are responsible for the approval of such consultants.

## Supplier assessment

The approval process is focused at site level, requiring suppliers to fulfill our requirements with regard to traceability, hygiene and quality as well as social and environmental conditions.

### Procurement team responsibilities

The procurement team is the main contact between Espersen and any of our suppliers. As a result, this team has the on-going responsibility of registering any new sites into our 'Supplier Monitoring System' and requesting the necessary documentation for the preliminary approval process.

The procurement team is also responsible for initiating the annual suppliers' performances assessment as well as requesting additional information from other internal stakeholders such as QA and production. Each buyer is responsible for their own suppliers. The yearly management assessment of suppliers should take place in the first quarter.

### Quality assurance responsibilities

QA are responsible for the preliminary approval of potential suppliers. QA supply relevant questionnaires on quality and food safety issues.

QA check the formula on return and preliminarily approve or reject the supplier based on the feedback.

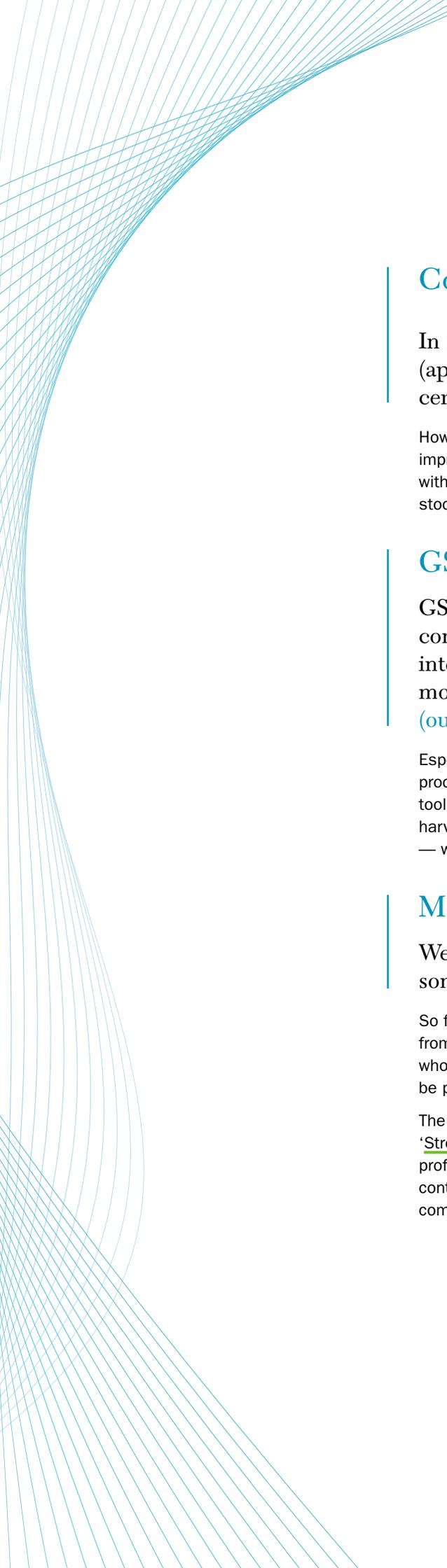
QA perform quality and food safety audits on site. The supplier is approved (or not) based on the outcome of this audit. For sites in high-risk areas, approval is also dependent on a successful social and environmental audit.

QA is also responsible for ensuring suppliers' information in the database is maintained and up-to-date and for the approval of external auditing companies conducting supplier site visits on behalf of Espersen.

### Other internal stakeholders

For suppliers in countries classified as high-risk, a questionnaire on social and environmental issues is needed as well. It is the responsibility of the Head of Sustainability to provide and evaluate this questionnaire as part of the preliminary approval of suppliers in high-risk countries.

The Head of Sustainability or a person appointed by the Head of Sustainability perform social and environmental audits at sites in high-risk countries. These audits determine whether the supplier is approved or not.



## Commitment to MSC certified fisheries

In 2016 we continued to source the majority (approximately 95%) of our fish from MSC certified stocks.

However, where this is not possible, we are committed to help drive improvements in fishery management through forming partnerships with researchers, scientists and biologists to perform comprehensive stock assessments.

## GSSI

GSSI is a global platform and partnership of seafood companies, NGOs, experts and governmental and intergovernmental organizations working towards more sustainable seafood for everyone.

([ourgssi.org](http://ourgssi.org))

Espersen was one of the founding partners and was participating in the process expert working group during the development of the benchmarking tool. Now 34 companies from across the seafood industry — including from harvesting, aquaculture, farming, processing, food service, retail and brand — worldwide are backing GSSI.

## Modern slavery act

We know that forced labour is a serious problem in some part of the global seafood business.

So far we have not seen any indication of this taking place in companies from which we source. However, this is a problem for the industry as a whole and should be dealt with at an industry level. Espersen wants to be part of the solution.

The first step is to learn more. In 2016 we participated in a workshop by '[Stronger Together](#)', and hosted by Seafish, focused on training seafood professionals in what to look for and how to deal with this issue. We will continue to monitor developments, take actions and cooperate with other companies to help stop this problem.

## Supply chain integrity What are we doing

### Continuing development of the 'Catch IT' database

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.

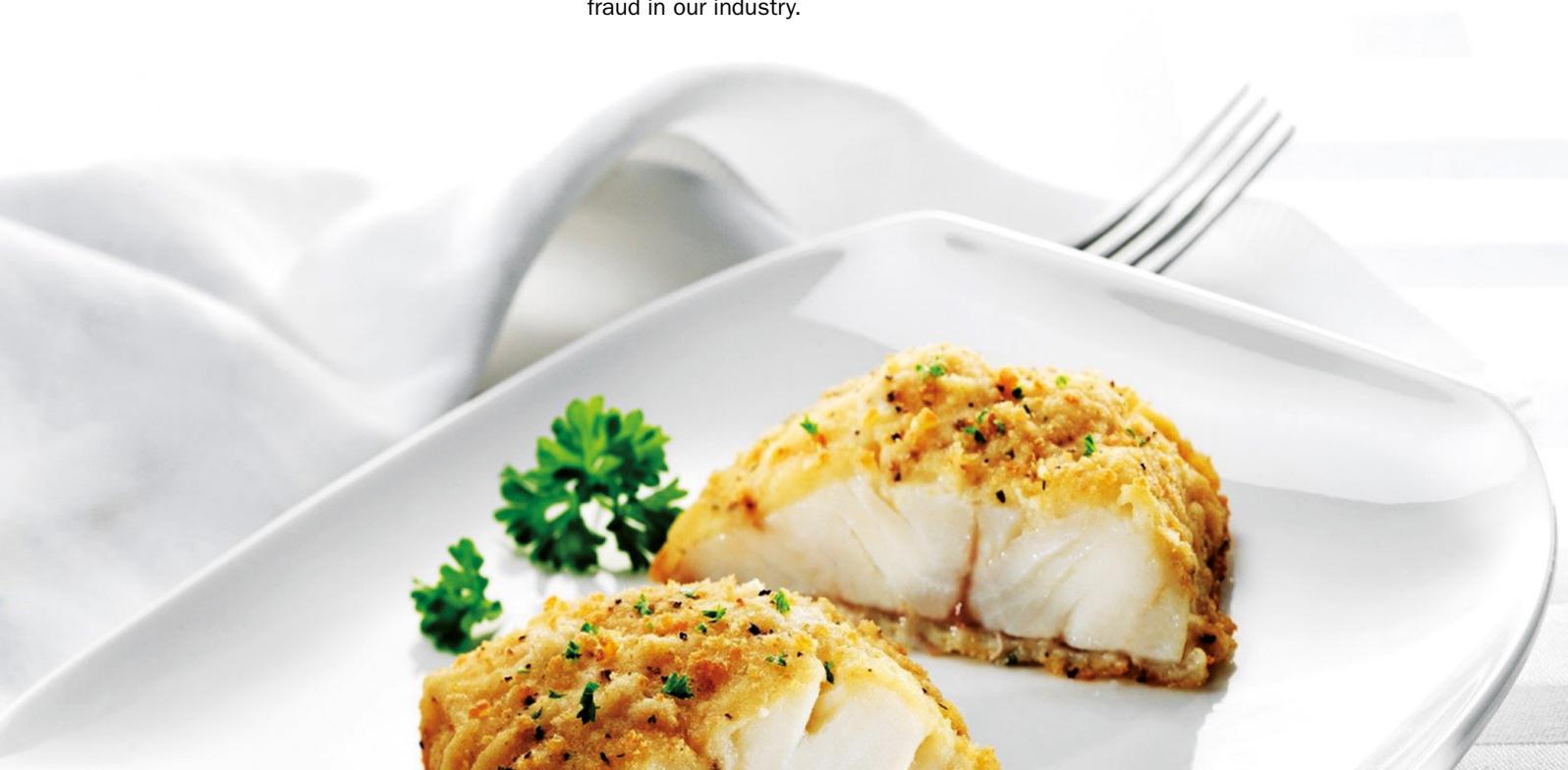
For that, we are continuously updating our fisheries database, 'Catch IT' with new data to assess the sustainability of the fisheries we are buying from. The system uses robust criteria and scientific data to assess whether a fishery is healthy, requires an action plan or is to be declined by our purchasing team.

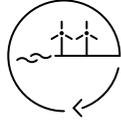
Our long-term goal is to incorporate this database with our supplier monitoring system to ensure that we are buying sustainably caught or farmed fish from responsible suppliers.

### Business integrity in seafood

Food safety is well coordinated within the EU and other markets with which we do business, but food fraud detection is recognised as requiring more focus. Therefore, will we cooperate globally with other seafood companies and seafood industry associations to create awareness and fight fraud within our industry.

Our focus is on authenticity and adulteration issues in seafood. The plan is to set up a high level meeting within 'Groundfish' or similar Forum to endorse and support this work. At the same time we will support research in development of analytical methods that can help to uncover fraud in our industry.





## Resource use

**Goal:** Use resources responsibly with the aim of decoupling waste, water and energy use from our production footprint.

### Objectives

- Cap greenhouse gas emissions at 2011 level within the Espersen group
- Decouple energy use from kg of product produced
- Decouple water use from kg of product produced
- No waste to landfill by 2022
- 90% carcass utilization for human consumption by 2022

### Introduction by Max Sørensen, COO



We live in an exciting but challenging time. The world's population is projected to hit 11 billion by 2100, and while experts agree the planet can produce enough food, the challenge is to make sure we do it sustainably and affordably.

The world's future food security is not a simple matter of producing more food. We are at the end of the era of cheap oil and materials. This, coupled with increased and changing consumer demand, means we have to produce more with less. This is why Espersen's goal is to decouple our waste, energy and water use from our production output.

Reducing food waste is an important element of our strategy to help ensure food security. Recent trends suggest that further progress in resource efficiency is possible and that it can bring major economic, environmental

and social benefits. Turning waste streams into a resource is an essential part of increasing efficiency and closing the loop in a circular economy.

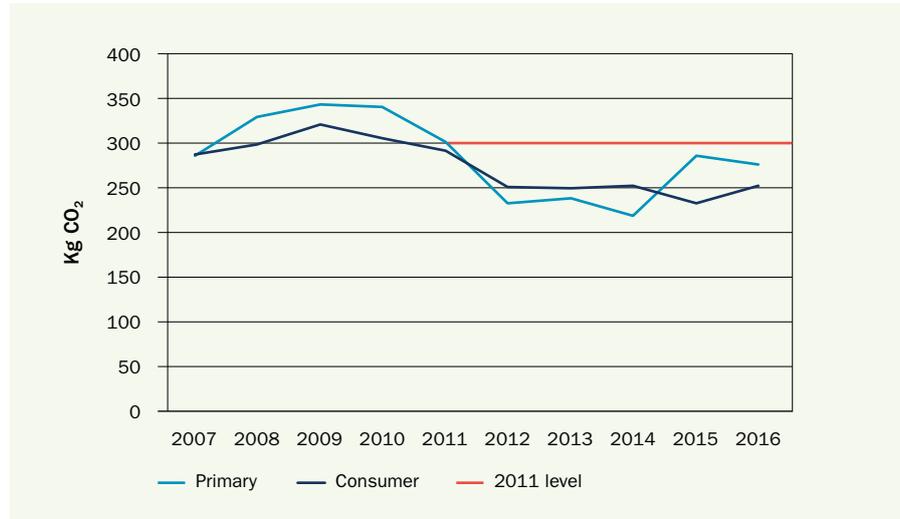
Access to fresh water is another pressing problem. As the latest UN data suggests, the world faces a 40% shortfall in global water supply by 2030. In addition, with less than 1.2% of all water on earth available for human use, companies can no longer take for granted access to good quality water.

In 2016 we began the process of ISO:14001 certification and independent energy assessments of some of our plants. As this gets rolled out around the world we are confident we will realise further efficiencies and reductions in overall energy use and CO<sub>2</sub> emissions.

Resource use  
What we have done

## CO<sub>2</sub> Equivalent per kg product

The rising energy use in primary production resulted in a parallel increase in our CO<sub>2</sub> equivalent kg emissions, per kg product. Despite this, our 2016 performance met our goal to stay below the 2011 levels of CO<sub>2</sub> emissions.

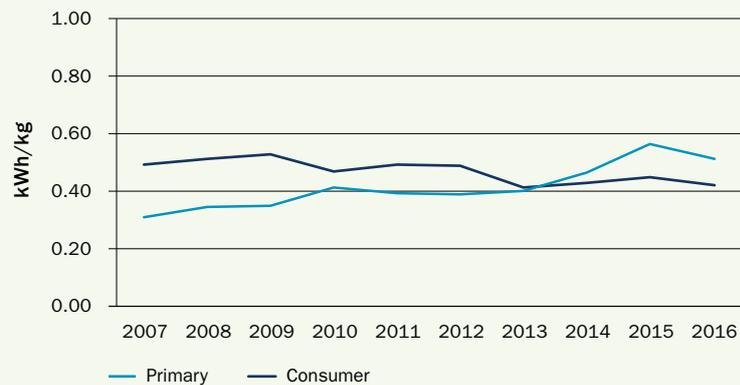


## ISO: 14001 certification

ISO:14001 is an internationally recognized standard which specifies the requirements needed for an organization to effectively manage its environmental responsibilities in a systematic manner. In order to improve our environmental performance, Espersen certified its Hasle facility in Denmark in 2016. We will certify our facility in Poland in 2017.

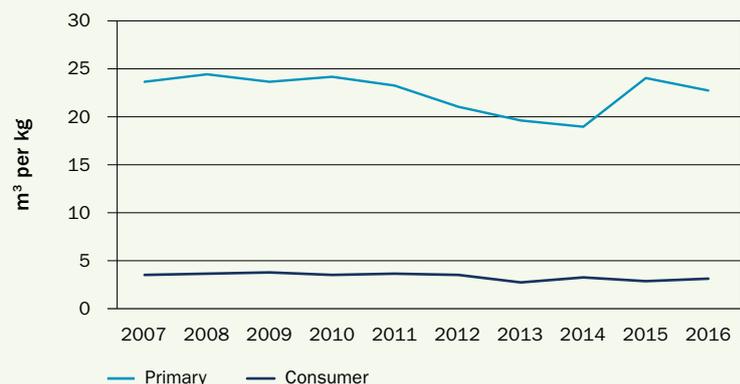
## Energy use per kg product

In 2016 Espersen conducted an external energy assessment of our sites in Denmark in order to drive energy efficiency and reduction of use. In 2017 similar assessments will be undertaken at our facilities in Poland and Lithuania.



## Water usage (m<sup>3</sup>) per kg product

In 2016 we saw an increase in water usage per kg product in the 'consumer' category caused by a shift in procurement from fresh to frozen cod. More water is required at the processing stage to defrost the fish. This was a result of the Baltic sea cod losing its MSC certification leading us to source more MSC-certified frozen North East Atlantic cod from Norwegian and Russian waters.



## Resource use What are we doing

### Carcass utilization

Achieving food security requires reducing food waste. The biggest opportunity for Espersen to make a difference is to ensure that as much of the fresh and frozen fish we source is used for human consumption and that none of it goes to landfill.

Our commitment is to use at least 90% of the carcass for human consumption by 2022. We believe this is an ambitious but achievable goal through driving efficiencies as well as product innovation and identification of new markets. Any remaining bio-waste will be used for energy generation, composting or animal feed.

| Carcass Utilization    | Primary      |              |              | Consumer     |              |              | Group        |              |              |
|------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
|                        | 2014         | 2015         | 2016         | 2014         | 2015         | 2016         | 2014         | 2015         | 2016         |
| Waste for:             |              |              |              |              |              |              |              |              |              |
| Biogas                 | 0.0%         | 0.0%         | 0.6%         | 7.0%         | 4.2%         | 4.4%         | 1.6%         | 1.3%         | 1.8%         |
| Animal feed            | 36.7%        | 40.1%        | 33.6%        | 1.8%         | 1.5%         | 1.6%         | 28.5%        | 27.7%        | 23.3%        |
| Raw material (fish):   |              |              |              |              |              |              |              |              |              |
| Frozen                 | 92.0%        | 86.4%        | 95.0%        | 100.0%       | 100.0%       | 100.0%       | 93.9%        | 90.7%        | 96.6%        |
| Fresh                  | 8.0%         | 13.6%        | 5.0%         | -            | -            | -            | -            | -            | -            |
| <b>Indicator (CUI)</b> | <b>63.3%</b> | <b>59.9%</b> | <b>65.8%</b> | <b>91.2%</b> | <b>94.3%</b> | <b>94.0%</b> | <b>69.9%</b> | <b>70.9%</b> | <b>74.8%</b> |

CUI = % of fish is used for human consumption

### Steering group

We are concerned that as a group we are not realizing the full benefits of truly decoupling waste, water and energy use from our production output. In order to improve our performance and inspire excellence at every level of the organization, in 2017 we will establish a new steering committee responsible for the resource use work stream.

The steering group will consist of our two Production Directors for Consumer and Primary, the COO and Head of Sustainability. This group will be responsible for establishing and delivering specific goals for each site and for the group overall.



## Worker health and welfare

**Goal:** Ensure all our employees recognize Espersen as a good and safe place to work, wherever we are in the world.

### Objectives

- Maintain the Ethical Trading Initiative (ETI) as our baseline standard and to review it regularly for continuous improvement
- Ensure at least 25% of appointed Board members are women by 2018

### Introduction by Carsten Tarp, Production Director Primary



Our vision is to provide a safe and healthy working environment that continuously attracts and retains people of the highest calibre and creates a working environment where they feel inspired to drive our impact and growth.

Dedicated employees are crucial to the on-going success of Espersen and our continuous efforts to act responsibly in the various local communities in which we operate. We firmly aim to have employees with a strong and in-depth knowledge of our company objectives and values, as we believe this knowledge will enable them to perform with greater enthusiasm, skill and motivation

and thereby consistently deliver high quality products to our customers.

Espersen's commitment to our employees is deeply intertwined with our never-failing commitment to our customers and suppliers. Together we continue to deliver environmentally sustainable products while taking the required steps to stay at the absolute forefront of the market in order to help our customers and suppliers strengthen their respective positions.

Ensuring that all our sites are certified to the ETI Base Code or higher standards. This is the first step to achieving our goal and be recognized as a good place to work by our employees.

Worker health  
and welfare  
**What we have done**

**ETI Base Code certified**

In 2016 all of Espersen’s facilities have been ETI Base Code certified or audited to customer specific social standards for several years which secures a higher level of protection for our workers.

|   |  |  |
|---|--|--|
|  <p>Employment is freely chosen</p>      |  <p>Freedom of association and the right to collective bargaining are respected</p> |  <p>Working conditions are safe and hygienic</p>    |
|  <p>Child labour shall not be used</p> |  <p>Living wages are paid</p>   |  <p>Working hours are not excessive</p>           |
|  <p>No discrimination is practised</p> |  <p>Regular employment is provided</p>  |  <p>No harsh or inhumane treatment is allowed</p> |



The ETI Base Code is an internationally recognised set of labour standards based on ILO conventions. Espersen uses it to drive improvements in working conditions around the world.

[ethicaltrade.org](http://ethicaltrade.org)

## Reporting and acting on accidents in the workplace

We provide all workers with communication and training on emergency planning and safe work practices. For each of our facilities we have a procedure to prevent, detect and respond to potential risk to the safety, health and security of all employees.

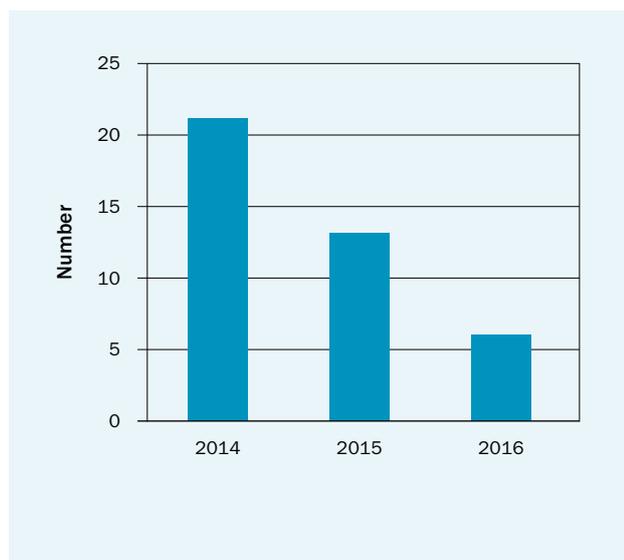
We have written emergency plans for all our facilities. These include worker notification and evacuation procedures, emergency training and drills, appropriate first-aid supplies, fire detection and suppression equipment and adequate exit facilities. We train all employees in emergency planning including fire drills.

We review all emergency plans annually and update these if needed. A sufficient number of employees are trained in medical care.

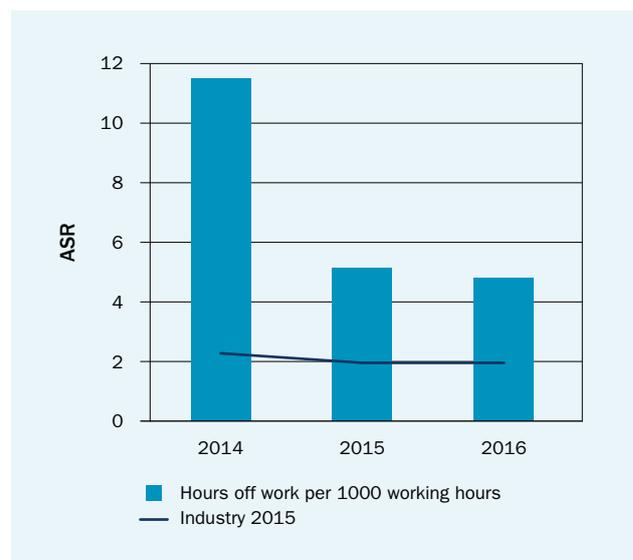
In the period 2014–16 the management at our Fredericia plant piloted a detailed approach to data

collection for accidents: where they happen, the severity of the accidents and resulting hours off. This approach has yielded great results at the Fredericia plant in terms of preventing accidents and limiting time off. This approach will be rolled out on our other sites starting in 2017.

Number of accidents at Fredericia



Accident severity rate at Fredericia



## Gender diversity in our workforce

We recognize the benefits of creating a better gender balance within our workforce and our objective is to ensure that at least 25 per cent of the appointed Board members are women by 2018. This objective was achieved in 2016 with one of the four Board members appointed by the owner of the company being a woman (25%).

In 2016 the Board of Directors' female representation stayed at 25%, one of the four members appointed by Espersen's owner.

There continues to be no women in the Executive Board of Directors, and no additional women were appointed to the Extended Management Group.

We regret that the share of women directors, senior managers and managers across the Group fell from 39% to 30%.

Consequently, we will reinforce our efforts to create a better gender balance at all levels of management levels. We have published a new

diversity policy and diversity procedure which helps managers focus and encourage diversity the workplace as well as measure progress in relevant areas. Our Human Resource Department will be leading this task and report progress annually.

|  | 2014 |        |       |          | 2015 |        |       |          | 2016 |        |       |          |
|--|------|--------|-------|----------|------|--------|-------|----------|------|--------|-------|----------|
|  | Male | Female | Total | % Female | Male | Female | Total | % Female | Male | Female | Total | % Female |
| Board of Directors*                    | 7    | 0      | 7     | 0%       | 6    | 1      | 7     | 14%      | 5    | 1      | 6     | 17%      |
| Executive Board of Directors           | 3    | 0      | 3     | 0%       | 3    | 0      | 3     | 0%       | 3    | 0      | 3     | 0%       |
| Extended Management Group (ELG)        | 12   | 3      | 15    | 20%      | 18   | 2      | 20    | 10%      | 14   | 2      | 16    | 13%      |
| Directors — Senior Managers — Managers | 40   | 21     | 61    | 34%      | 48   | 31     | 79    | 39%      | 56   | 24     | 80    | 30%      |
| All Employees                          | 655  | 1323   | 1978  | 67%      | 793  | 1466   | 2252  | 65%      | 781  | 1656   | 2437  | 68%      |
| Participating in Leadership Program    |      |        | 139   | 7%       |      |        | 10    |          |      |        | 12    |          |

\* The Board of Directors consists of six members — four are appointed by Espersen's owner and employees elect two. One of the four appointed board members are women.

Worker health  
and welfare  
[What are we doing](#)

## Health and safety at work program

One of our goals for 2017–2019 is to apply a health and safety management system (OHSAS 18.001) on all sites.

As mentioned above, we have piloted a detailed approach to data collection for accidents and this will be rolled out on our other sites starting in 2017. To coordinate this work we will establish a steering committee responsible for the Health and Safety Program with representatives from production, HR and sustainability.

To support this process we will apply a health and safety management system based on OHSAS 18.001 on all sites. We will continue to communicate to and train our staff on emergency planning and safe work practices.

## Leadership training

In 2016 12 staff members participated in Espersen's leadership training program and this will continue in 2017. As part of our new strategy leaders at all levels will undergo additional training in 2017.

## Annex

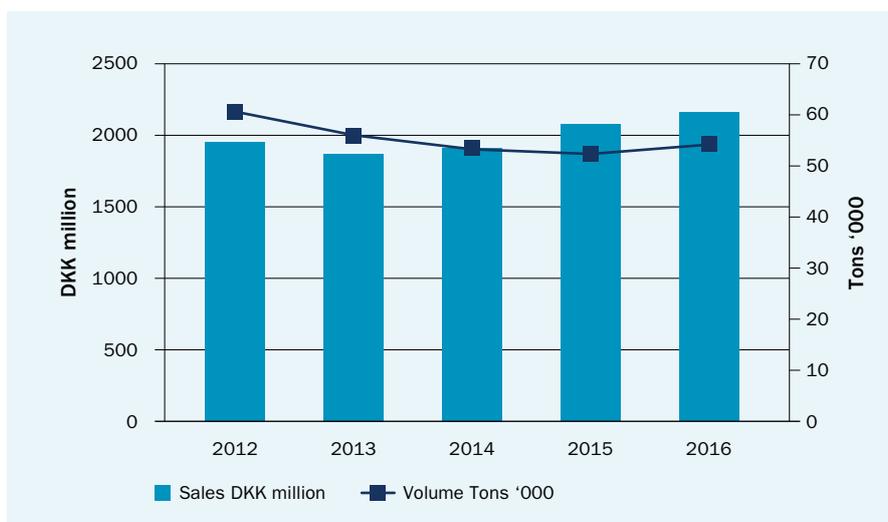
The following policies can be found on our website [espersen.com/commitment/policies](https://espersen.com/commitment/policies):

- Whistleblower Policy
- Environmental Policy
- CSR Policy — Code of Conduct
- Health and Safety Policy
- Diversity Policy

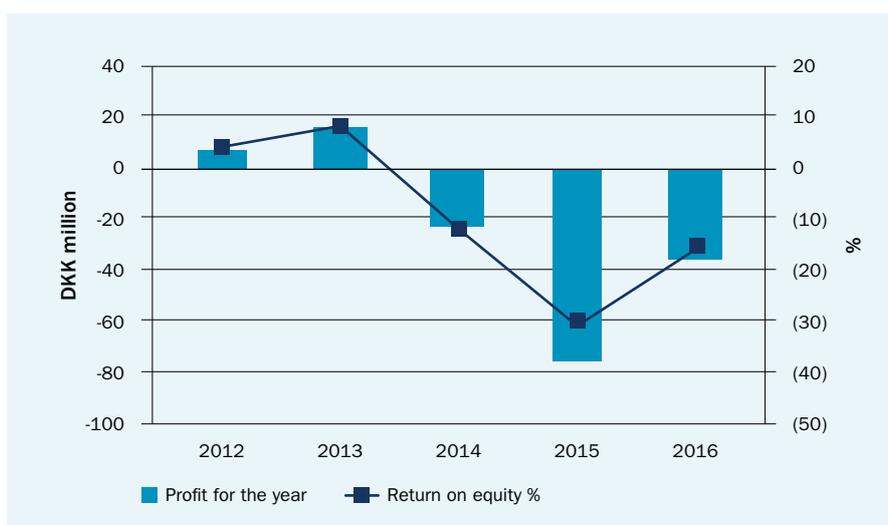


# Key indicators

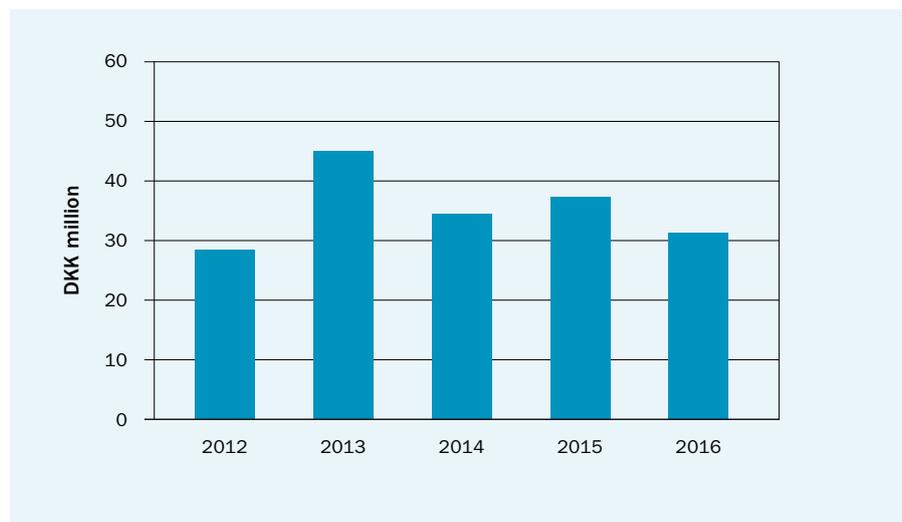
## Sales and operating profit



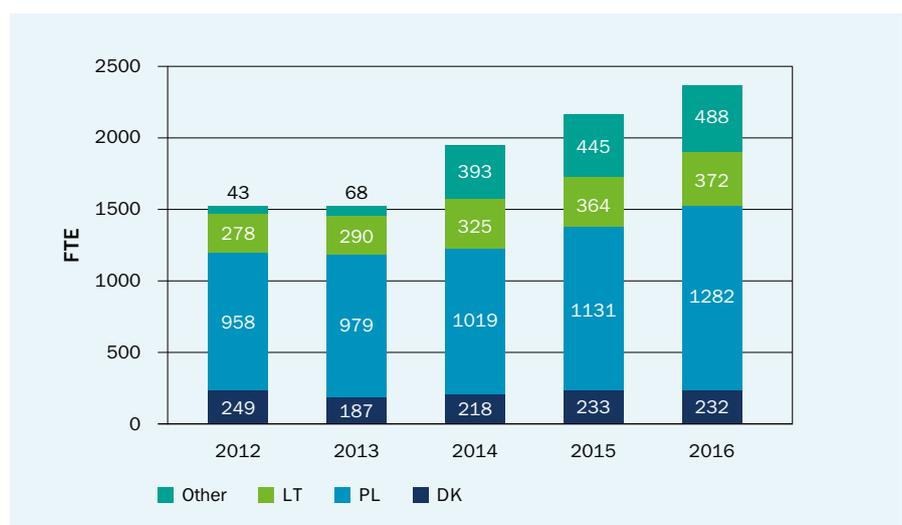
## Profit for the year and return on equity



### Investments



### Full time employees





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

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