Our Seas, Our Fish, Our Food

Sustainability Report, April 2013

What's for dinner?

A question that every parent is asked and more often than not, on a daily basis.

Whether you call them fish fingers or fish sticks, they've been part of our diet for over 50 years. Served with peas and potatoes or even in a sandwich, those small, breaded, golden pieces still remain a child's favourite.

Fish is a good source of high quality protein, rich in many micro nutrients and low in saturated fat. Many European countries recommend eating at least two portions of fish a week[1] (World Health Organisation).

Ultimately, fish provides an important source of nutritious food to sustain our growing population.

[1]WHO Europe, Food Based Dietary Guidelines

Contents

The Seafood Industry

Our sector supports the livelihoods of over 54 million fishers and fish farmers. However, if we take into account the full supply chain to include, for instance, employees in packaging, processing, manufacturing and distribution this number rises significantly.

It is estimated that 10 – 12% of the world's population is supported by fisheries and aquaculture. This is more people than the population of the United States and Brazil put together.

Over the last half a century our appetite for fish has increased. Fish consumption per capita has almost doubled in this period and is at an all-time high* (see graph, right). Therefore, for much of the world's population fish is now a significant source of animal protein, supplying over four billion people with approximately 15% of their animal protein intake.

Changing environmental conditions have led to a re-evaluation of our fisheries. Strategies have been introduced to prove that administration of fisheries meet specific requirements, that species populations are at a sustainable level and that fishery operations have a low environmental impact.

Quotas and declining landings have shifted the focus towards quality and maximising yields from each fish.

Good practice through innovation and research has helped us to respond but there are further questions posed:

What impact do our trawlers have on the environment?

How do we best monitor and protect our fish from exploitation and overfishing?

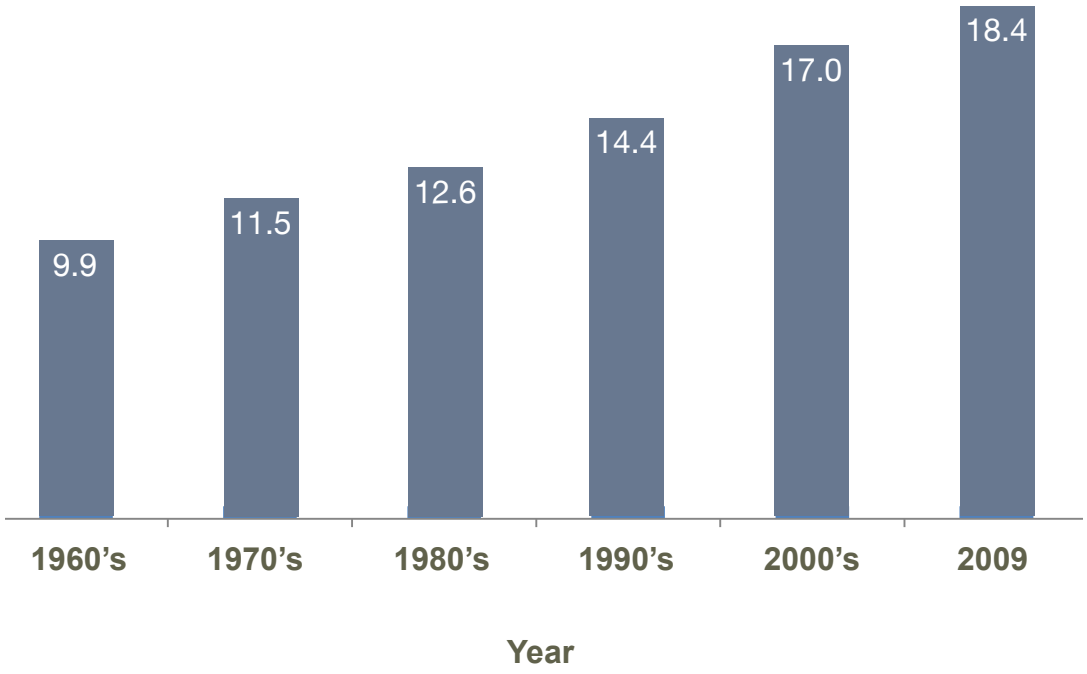
How do we best manage the marine ecosystem to prevent pollution and alleviate marine biodiversity loss?

What kind of energy should we use to power our fisheries and factories?

How should we best treat and reward our workers?

Our industry is evolving. We take pride in the products we supply for the world's mums, dads, children and grandparents to enjoy.

Global fish consumption per capita (kg) [1]



[1]Data (page 5 & 6) from FAO (2012)


SPERSEN

Espersen

We are a world leader in the processing of frozen fish blocks, frozen fillets, special cuts and breaded fish products with production units in Denmark, Poland, Lithuania, China and Vietnam.

As a company we rely on the raw materials we source, which are predominantly white fish species such as cod, haddock, hoki, pollock and saithe.

The seafood we produce is recognised for being high quality and you may well be familiar with some of the finished products such as fish fingers, fish nuggets, fish cubes and finger foods. The majority of these products are tailor made, private label products for our customers and we have our own local branded products too.

Everything we do is geared towards continued access to fish resources so carefully managed fisheries are vital to us.

With an open pathway in front of us we recognised the opportunity to partner with an organisation to help develop and deliver our bespoke sustainability programme. trie[SM], our partner, based in Oxford (UK) are a team of scientists, consultants and producers who are leaders in their field.

We recognise our role as a global market leader in our industry as an opportunity to address the challenges presented with a clear focus on sustainability. We have the ability to drive positive change through our on-going commitment to our staff, fishermen, partners and customers.

Developing a Sustainability Programme

trie[SM] applies a design process, acknowledging that sustainability isn't something that we finish but rather something we continue to do.

The diagram (below) illustrates how Espersen is working in partnership with trie[SM] to develop, implement, measure and review a bespoke sustainability programme. In 'scope' we identify the issues affecting our industry, with particular focus on issues most relevant to our business.

Using the trie[SM] 3Es (Economics, Ethics & Environment) framework we are able to identify which of the issues provide a measurable impact that most benefit our business.

The identified issues surrounding Espersen are put into context alongside a stakeholder analysis. Understanding how our internal and external stakeholders prioritise the issues helps us align evidence and support, forming the structure for the Espersen programme. Stakeholder expectations and aspirations also help us to identify what might need to be considered in the future development of the programme.

We validate our developing programme by cross referencing our business and stakeholder analysis against a review of published science relating to each issue. The science review also helps inform the actions required to implement the programme.

This scoping and development process completes the design of the Espersen Sustainability Programme. It also defines the measures required to monitor progress and review the programme.

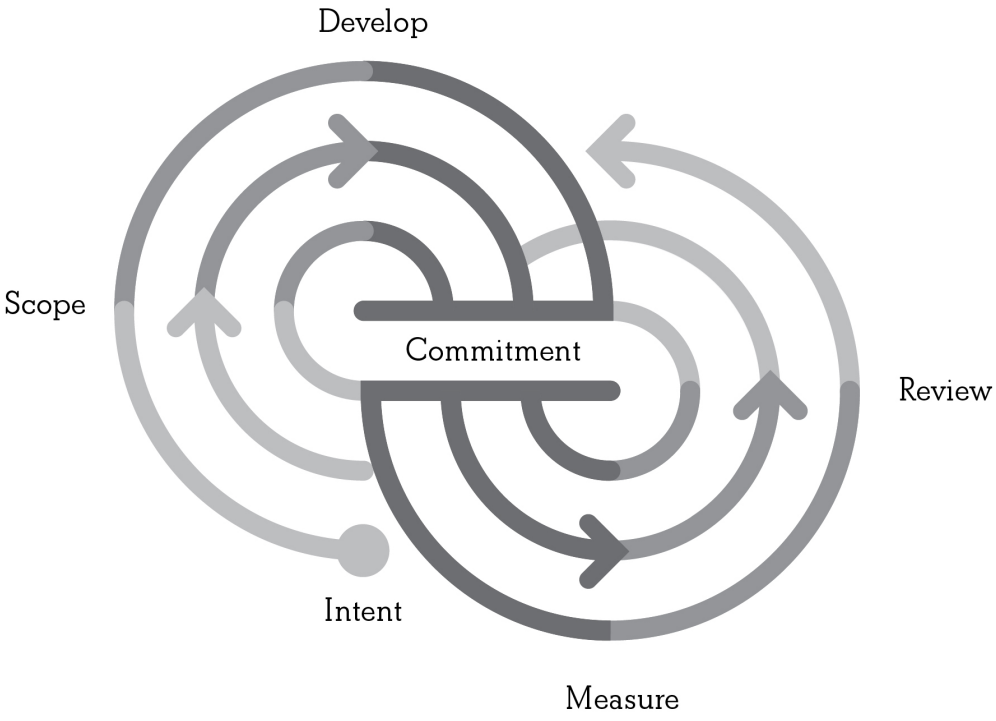
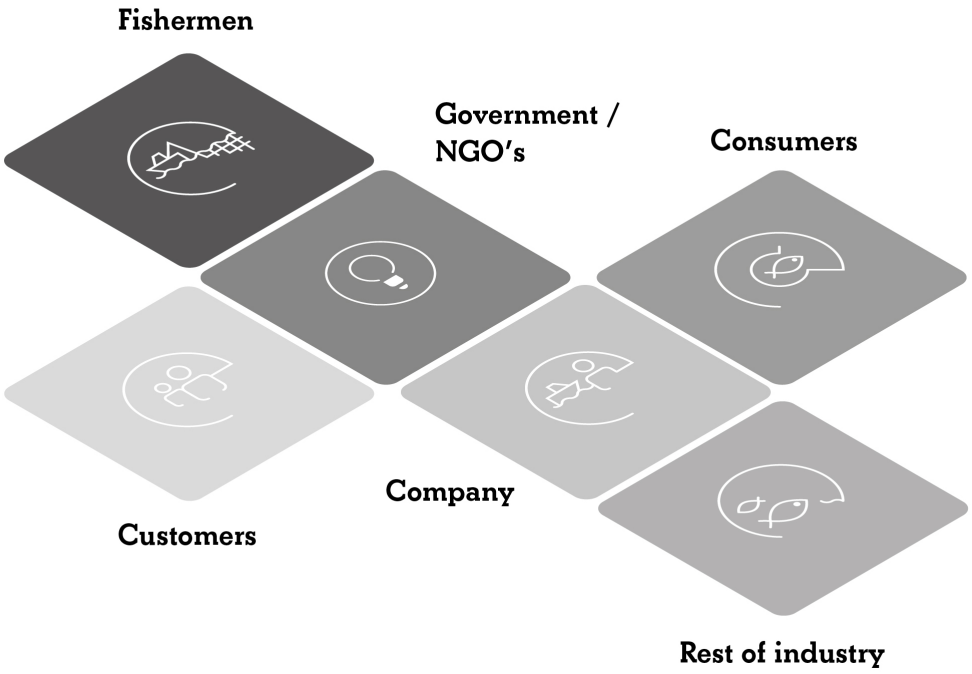


Figure 1. trie[SM] process



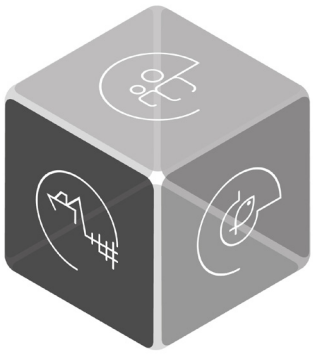


Figure 2. Stakeholders

Our Programme

Our Sustainability Programme consists of five Programme Areas each addressing a number of sustainability issues (Figure 3). The following pages outline each of these Programme Areas; our objectives, what we are doing and what has been done.

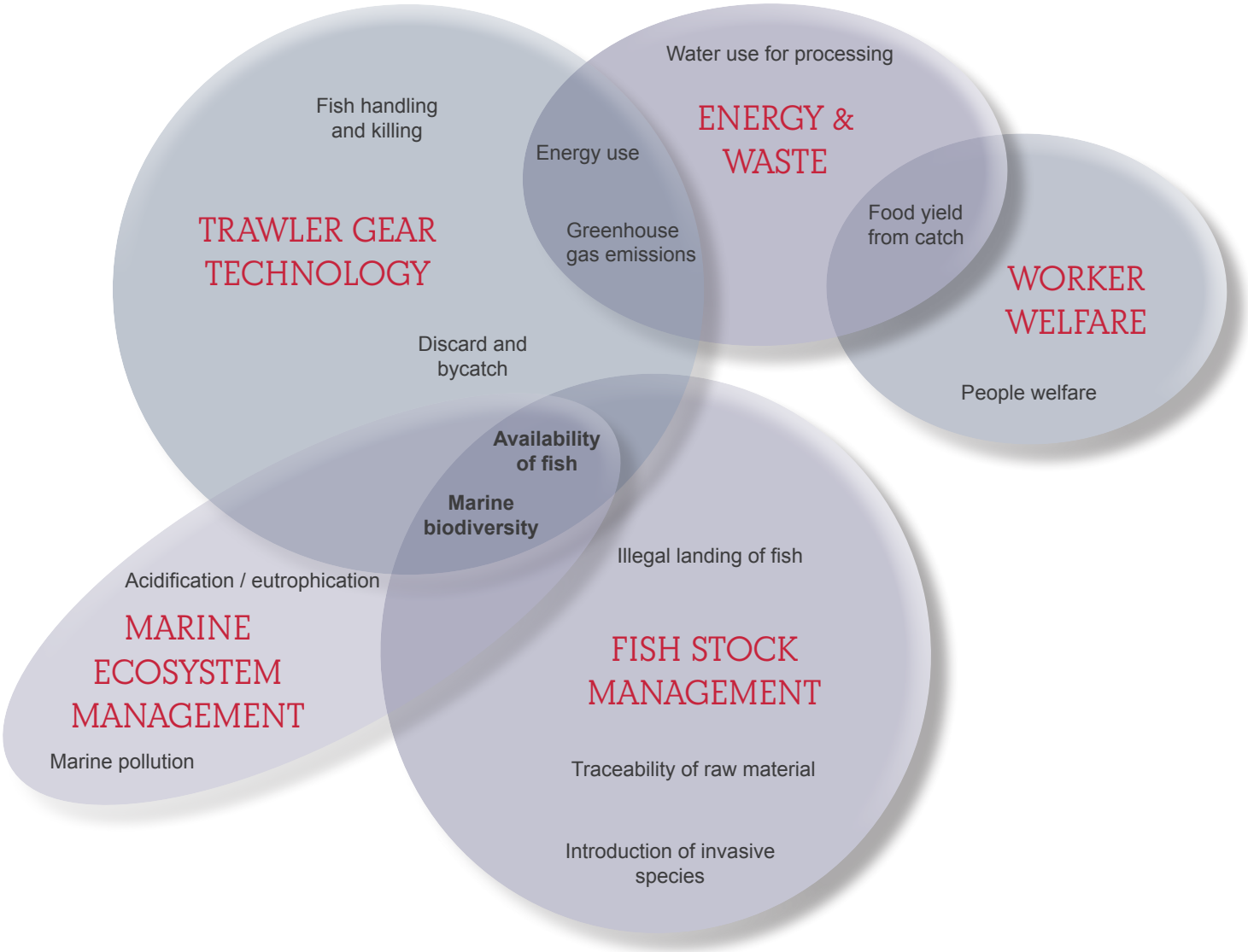


Figure 3. Programme Areas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> Espersen has always had a strong commitment to sustainability. This programme has helped us to align and focus our efforts on the areas where we can have most impact and which impact most on us.

Alex Olsen, Head of Sustainability, Espersen

Our Goals

Trawler Gear Technology

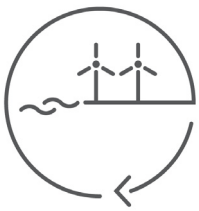
Gear and nets that minimise impact on the environment and fish welfare and ensure the selection of target species

Fish Stock Management

To ensure viable fish stocks through evidence based sourcing decisions

Marine Ecosystem Management

Engaging, influencing and supporting policies that promote a healthy marine ecosystem



Energy and Waste

Fish processing using all renewable energy and generating zero waste

Worker Welfare

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

Trawler Gear Technology

Gear and nets that minimise impact on the environment and fish welfare and ensure the selection of target species

The process by which we remove fish from the sea is of great importance - from fuel inputs to yield from catch.

Discards and bycatch account for significant mortality in marine fisheries, contribute to waste and increase the challenge of assessing available stocks.

The focus of the Trawler Gear Technology programme is to minimise the impact of fishing on the marine environment, to ensure the selection of target species whilst considering fish handling and to support the development of fuel efficient gear design.

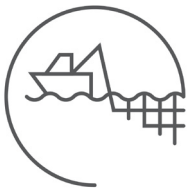
Objectives

1. Identify and promote new gear technology with improved fish handling, selectivity and reduced environmental impact
2. Identify and promote trawler equipment and practices that reduce fuel consumption per kilogram of fish catch

> “Today we need to demonstrate that we fish responsibly and to do that we need to minimise the impact of trawling on the seabed. We have started working with new trawl equipment and have decreased fuel usage which has reduced our footprint and substantially improved our profits.”

Jan Roger Letbukt; Director, Hermes, Norwegian Trawler from Tromsö

What we're doing



- We are working in partnership with Norwegian fishermen to develop efficient fishing techniques that support the sustainable management of the fisheries we all rely on.
- We are financially supporting a two year scientific study of best practices in bottom trawling. The core scientific team of this project consists of Michel Kaiser, Bangor U.; co-organiser Simon Jennings, U. East Anglia; CEFAS co-organiser Ray Hilborn, U. Washington; co-organiser Jeremy Collie, U. Rhode Island; Bob McConnaughey NOAA; Steve Murawski, U. South Florida; Ana Parma, CENPAT Argentina; Roland Pitcher, CSIRO Australia; Adriaan Rijnsdorp, Wageningen University Netherlands.
- We co-chair a working group with Seafish to assess the opportunity to reduce greenhouse gas emissions within the marine fishing sector.

What we've done

- We instigated a partnership project in the Baltic Sea, to experiment with new trawl gear (sonar, doors, warps and trawls) designed to reduce impact. The project has shown that fuel consumption per kg of cod can be reduced by 35 %. This has lowered costs, impact on the environment and increased yield.
- In 2012 we committed to represent the industry, working with experts and scientists, on an FAO led initiative to identify greenhouse gas reductions in the seafood sector.
- We joined the executive committee of the Baltic Sea Regional Advisory Council at its inception in March 2006. The Council has assessed, identified and proposed key research projects to the European Commission for improved gear technology.

Image: trawler technology

Image: newly designed gear

Accompanying each Programme Area is a trie℠ Sustainability Barcode (below). This helps to communicate and categorise which issues are addressed by that Programme Area.

trie℠ Sustainability Barcode

Ethics

Traceability of raw material
Fish handling and killing
Worker welfare

Environment

Marine biodiversity
Introduction of invasive species
Greenhouse gas emissions
Marine pollution
Acidification / eutrophication

Economics

Availability of fish
Illegal landing of fish
Discard and bycatch
Energy use
Water use for processing
Food yield from catch

Fish Stock Management

To ensure viable fish stocks through evidence based sourcing decisions

The availability of fish was identified as a key issue for the marine sector by our internal and external stakeholder questionnaires and our science review.

Recent studies suggest that the global human population will reach around 9 billion by 2050[1]. The FAO state that the fishery sector plays a key role in food security. However, most of the stocks of the top ten species of the world marine fisheries are fully exploited.[2]

The Fish Stock Management programme addresses the fundamentals of securing fish for our future by monitoring our fish stocks and tracing the sources of our catch.

[1]United Nations (2011) World Population Prospects
[2] FAO (2012) The State of World Fisheries and Aquaculture

Objectives

1. 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
2. Implement electronic traceability systems throughout the supply chain such that all stock can be traced back to source

“Rebuilding fisheries is both economically and socially beneficial as it leads to a sustainable fishery where the level of harvesting is commensurate with the productivity of healthy fish stocks.

This will increase food security, contribute to green growth and has positive environmental effects, including the rebuilding of target fish stocks, supporting biodiversity, and strengthening the resilience of the ecosystem as a whole.

In addition such action will contribute to better utilisation of raw material and benefit processing and trade.”

Carl-Christian Schmidt
Head of the Fisheries Division, OECD

What we're doing

- For landings in the Baltic Sea we are implementing an electronic traceability system at Espersen Fersk Fisk. This moves landing data into our production traceability system, improving efficiency and accuracy throughout the supply chain. We are looking to expand this system across borders to cover the entire Baltic Sea region.
- We are piloting electronic traceability systems to track fishery data from auctions in Denmark to our production facilities across the world. The system uses SIF, a database for traceability, run by the Danish Fishermen's Producer Organisation and is able to cover the whole supply chain from catching vessels to processing factories.
- We are working in partnership with the Marine Stewardship Council (MSC) to carry out chain of custody (traceability) tests from fish landing to retail.
- As a leading company in the seafood industry we were chosen to be a member of the Global Sustainable Seafood Initiative (GSSI). Together with other businesses, governments, NGO's and academia we aim to develop measures that ensure widespread recognition and comparability of seafood certification programmes.
- We are a member of the GlobalG.A.P. Sector Committee for Aquaculture where we provide our expertise, with particular focus on the sustainable development of aquaculture worldwide.

What we've done

- We have developed a sustainable fishery assessment database to inform our approval process for fish supply. The system uses robust criteria and scientific data to assess the status of the fisheries we are buying from and informs all of our purchasing decisions through a traffic light system.
- We collaborated with the Danish Fishermen's Association to certify East Baltic cod with an internationally recognised label. East Baltic cod became the first cod population in the EU to receive the Marine Stewardship Council (MSC) certificate in 2011.
- We engaged with Lithuanian and Latvian authorities to support their move to MSC certification.
- Between 2009 and 2012 we chaired a sustainability group in AIPCE – CEP (EU Fish Processors Association and EU Federation of National Organisations of Importers and Exporters of Fish) which compiled and published guidelines for the responsible sourcing of fish. These guidelines were in part based on our own supplier agreements and tackled previous challenges of overfishing in the Baltic.

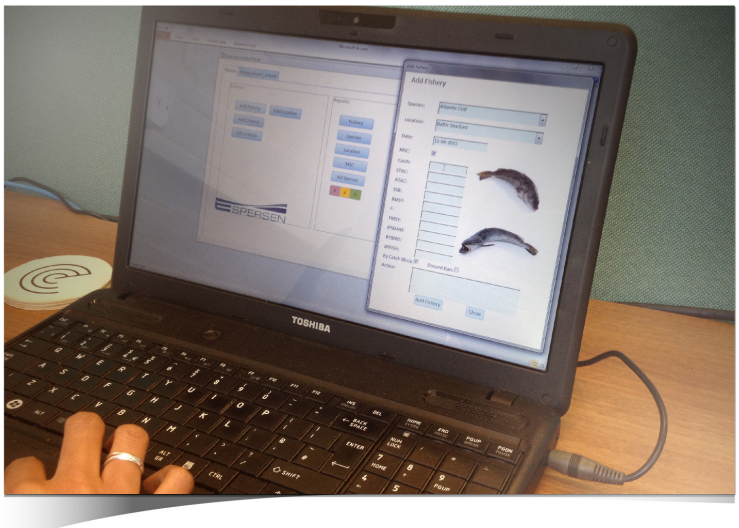


Image: Espersen database

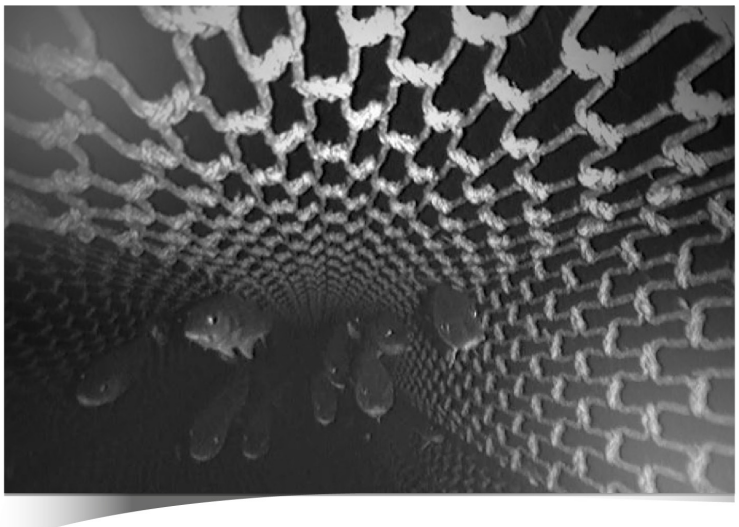


Image: cod in net

trie℠ Sustainability Barcode

Ethics

Traceability of raw material
Fish handling and killing
Worker welfare

Environment

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Energy use
Water use for processing
Food yield from catch

Marine Ecosystem Management

Engaging, influencing and supporting policies that promote a healthy marine ecosystem

We believe that in order to effectively tackle our sustainability challenges we need to understand our role in relation to each issue.

Espersen are not directly responsible for some of the issues threatening biodiversity, such as acidification and eutrophication, which is why these issues were not recognised by our stakeholders. Nevertheless, they pose a threat to the marine environment and thus to our business.

The Marine Ecosystem Management programme supports our drive towards a healthy marine ecosystem and focuses on our opportunities to inform key decision makers.

Objectives

1. To effectively communicate Espersen's awareness and concern about the negative impacts and risks to business associated with acidification and eutrophication in the marine environment

2. To communicate Espersen's support for a balanced ecosystem approach in stakeholder forums to address issues that can negatively impact the marine environment e.g. illegal fishing, seal populations, invasive species

> "Protecting and conserving marine ecosystems is an essential element of any programme to create sustainable fisheries."

Jim Cannon, CEO and founder of the Sustainable Fisheries Partnership

What we're doing

- As a member of the executive committee for the Baltic Sea Advisory Council we are partnering with HELCOM to address issues related to marine ecosystem health. HELCOM is an intergovernmental organisation and 'works to protect the marine environment of the Baltic Sea from all sources of marine pollution'.
- We are committed to communicating to key audiences the threat that acidification and eutrophication of the marine environment poses to our business.
- We are reviewing the published science and using our practical knowledge and experience to provide a clear overview of the risks a compromised marine ecosystem would also bring to livelihoods and the food chain.

What we've done

- The EU Commission research project MYFISH invited us as a main buyer of Baltic Sea cod to help define maximum sustainable yield (MSY) variants and constraints including ecosystem concerns to integrate the MSY concept with the overarching principals of the Common Fisheries Policy.
- As a key stakeholder in the Baltic Sea region we provided input to the ODEMM (Options for Delivering Ecosystem Based Marine Management), an EU project to identify how ecosystem based management can become part of the governance system for EU fisheries.
- We worked alongside WWF at their Baltic Sea Scenario Planning workshop to define the commitments and actions needed to balance economic and social uses with the protection of the Baltic Sea.
- We have provided sponsorship to the Sustainable Fisheries Partnership (SFP). SFP's mission is to 'engage and catalyse global seafood supply chains in rebuilding depleted fish stocks and reducing the environmental impacts of fishing and fish farming'.

> Agricultural run-off of nutrients causes eutrophication in the Baltic Sea, with intense algal growth, toxic cyanobacteria blooms, altered communities of flora and fauna, oxygen depleted sea bottoms and death of fish and benthic organisms. Consequently, commercial and recreational fishing are affected by eutrophication.

WWF (2012) Baltic Ecoregion Programme

Image: Baltic Sea cod

trie℠ Sustainability Barcode

Ethics

Traceability of raw material
Fish handling and killing
Worker welfare

Environment

Marine biodiversity
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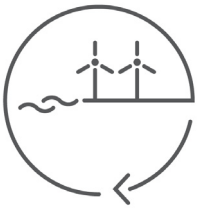
Economics

Availability of fish
Illegal landing of fish
Discard and bycatch
Energy use
Water use for processing
Food yield from catch


Bornholm
ESPERSEN
HGN TRANSPORT
VOLVO
FH
VOLVO
XP 90 140

Energy and Waste



Fish processing using all renewable energy and generating zero waste

Energy costs are rising and there is growing concern over the effect of climate change on global temperatures and sea levels. From a supply chain perspective, we have the opportunity to reduce our emissions and control our waste beginning with the fuel that we use for our trawlers to the energy which powers the machinery in our factories.

The Energy and Waste programme is about waste, pollution and the use of water and energy. Controlling utilisation of these resources will have both economic and environmental benefits by lowering costs and reducing greenhouse gas emissions (GHGE).

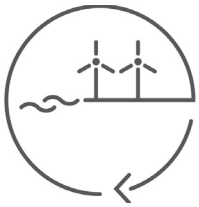
Objectives

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

> “Driving system efficiency and enhancing brand relevance through social responsibility is a key element of McDonald’s global strategy. Supply chain initiatives and innovations such as these, that support a commitment to environmental stewardship and that drive ever more sustainable business practices are essential in helping us achieve that plan.”

Keith Kenny, Senior Director McDonald’s Supply Chain Europe

What we're doing



- In 2013 we are initiating a programme that begins our direct investment in renewable energy. Initial projects will see an array of solar energy cells installed on one or more of our facilities.
- We have set a three year target to reduce the overall cost of non-recyclable waste handling in our factory in Poland by 15%.
- We are in the process of calculating our water footprint across the Espersen group.
- We are piloting a project to reduce CO_2 emissions in which we are using rail as an alternative to road to move pallets of frozen fish to Italy.

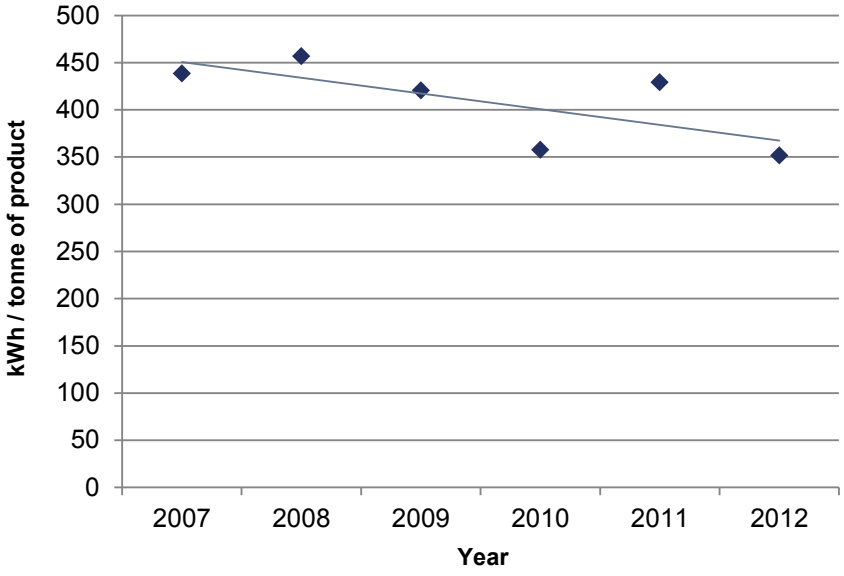
What we've done

- In our factories in Denmark we send zero waste to landfill.
- We have established the baseline greenhouse gas emissions from our factories which is now allowing us to identify reduction opportunities.
- In October 2012, as part of our strategy to save potable water, we invested in conveyor defrosting of fish to replace container defrosting. To date this has reduced water usage by 30% and has also increased product quality.
- Since 2010 we have reduced the waste to landfill from our Polish factory by 52%.
- We contributed to the development of the PAS2050 addendum for fish products. The PAS2050 fish standard was published by the British Standards Institution to help our industry reduce greenhouse gas emissions from our activities all along the supply chain.

Energy

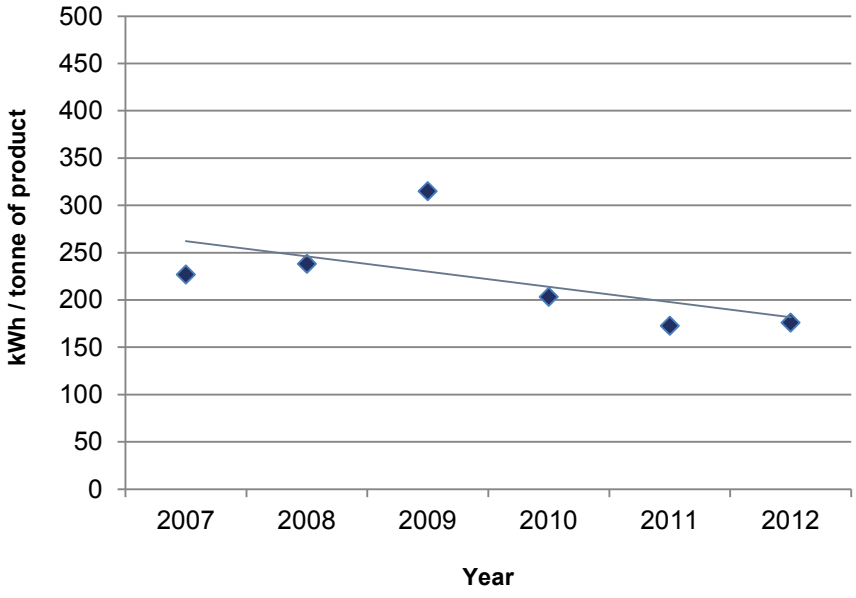
Our five year rolling average for energy use at value added processing is 16,998,181 kWh (± 1,457,300) and for energy use at filleting is 6,162,916 kWh (± 772,882).

Koszalin, Poland



kWh / tonne of product at Koszalin factory in Poland (value added processing) (2007 - 2012)

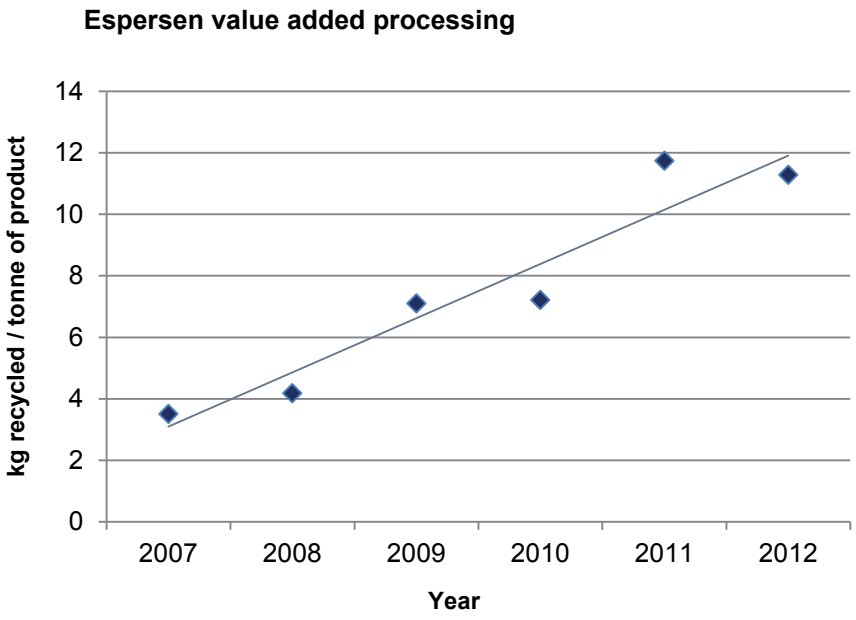
Hasle, Denmark



kWh / tonne of product at Hasle factory in Denmark (value added processing) (2007 - 2012)

Waste

In our processing factories our five year rolling average for recycled waste is 243.7 tonnes (± 89.3)

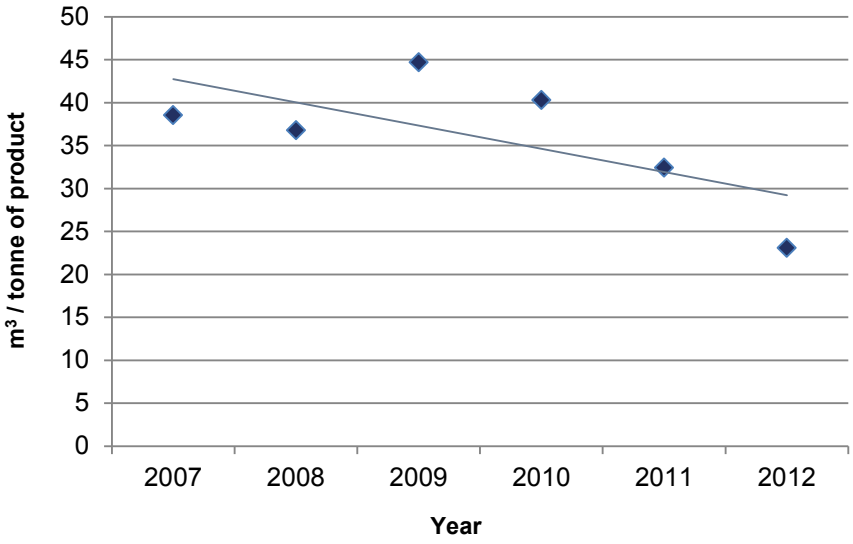


Espersen overall kg of waste recycled / tonne of product (value added processing) (2007 - 2012)

Water

For water consumption our five year rolling average at value added processing is 125, 208 m^3 (± 8,983) and at filleting is 412,529 m^3 (± 21,593).

Klapedia, Lithuania



Water use / tonne of product at Klapedia (primary processing filet) (2007 - 2012)

Worker Welfare

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

We are a modern fish producer with factories across the world which enables us to compete in the global market. Our workforce is therefore made up of people from different cultures but ultimately they all have the same fundamental needs.

The welfare of our workers is an intrinsic part of our business.

The Worker Welfare programme is focussed on three key areas: health, wealth and education and it is run by our dedicated People Team.

Objectives

1. 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

2. Maintain a baseline standard such as the Ethical Trading Initiative (ETI) code and review regularly

> We have always done what we say we will do for our workforce - this has been particularly valued by our teams in Asia, especially in China. Over the years we have created an understanding with our partners around the world that social responsibility is an investment - it is a way to attract, develop and retain talented employees.

Hans Holst; Regional Manager Asia – Espersen employee since 1989

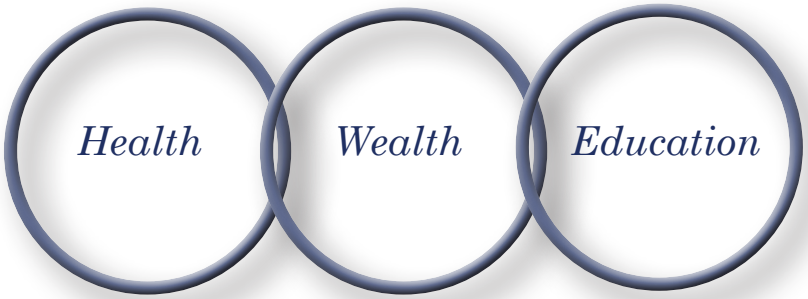
What we're doing

- We are developing a cross company People Programme to deliver health, wealth and education.
- In Denmark we provide financial support for our employees to have access to a physiotherapist.
- We contribute financially to fitness activities for employees in Denmark and Poland.
- We provide bus transport to and from work for employees in Lithuania and Poland.
- In Poland, Denmark and Lithuania our food product sales to employees are subsidised.
- We provide support for employees to take part in finance, IT, mathematics, Danish and English lessons.

What we've done

- In our Polish factory we have run a dedicated programme to develop ergonomically designed equipment to improve the health, safety and comfort for our workers.
- We have particularly worked with our employees in our filleting factories to develop knives designed to avoid repetitive strain injury (RSI). We patented the knives and they are now used in filleting factories all around the world.
- We have implemented a job rotation scheme for our factory workers to avoid repetitive work. As a minimum, all new employees are trained on two job functions and any employee that wishes can be trained on a third job function. 90% of employees take part in the scheme.
- We commissioned a study on worker conditions in our factories to focus on both physical and psychological aspects of the working environment. The study recognised that Espersen is proactively working to address the issues associated with repetitive work. It also noted that there was a good and trusting cooperation between managers and employees.
- In Lithuania we secured the facilities and provided the support for employees to participate in charity cup football and basketball tournaments.
- In Poland we have put in place a social fund for all employees.
- In Denmark, Poland and Lithuania we hold regular employee appraisals to identify the support needed for staff development and further education.

Espersen People Programme



For every location where we operate we use a three tiered framework (bronze, silver & gold) for monitoring our progress against our three People Programme pillars (health, wealth & education).

All sites will meet a minimum of the Bronze requirements which correlate with the Ethical Trading Initiative standards.

Below is a summary table with examples of practices that fall into each tier.

	Health	*Wealth*	*Education*
Gold	Ergonomic innovations e.g. equipment design Financial support for a physiotherapist	Social fund for employees 'outside of work' activities	Classes in work time e.g. English, finance, maths Support by allowing free time for studies
Silver	On site medical equipment / care & training (above national requirement) Job rotation Out of office team activities e.g. organised cycling event on Bornholm	Competitive salaries Espersen food products subsidised for employees Subsidised transport to and from work	Regular employee performance appraisals to identify staff training and support needs A range of courses are provided for specific issue training e.g. VAT, Codes of Practice, technical training
Bronze	Ensuring all key employee training and compliance requirements e.g. health & safety, risk assessments and first aid courses	Ensuring all legal requirements relating to working hours, sick pay and minimum wages are met	All new employees receive induction training All employees are trained to meet legal requirements in relation to food safety / hygiene and good manufacturing practice
	Compliance with ETI standards		

trie℠ Sustainability Barcode

Ethics

Traceability of raw material
Fish handling and killing
Worker welfare

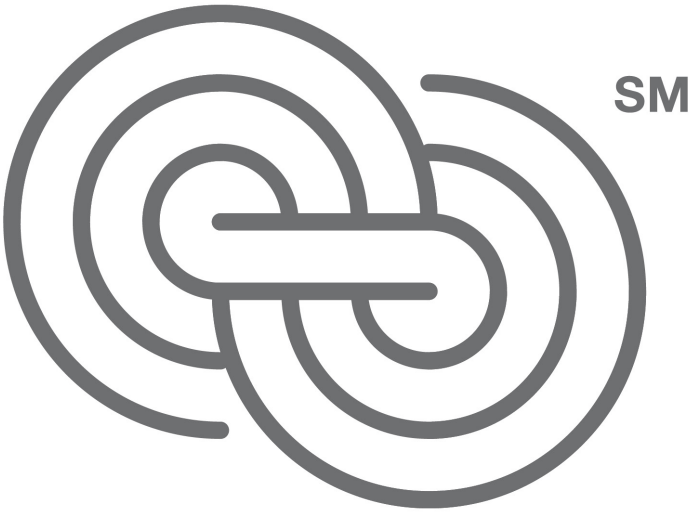
Environment

Marine biodiversity
Introduction of invasive species
Greenhouse gas emissions
Marine pollution
Acidification / eutrophication

Economics

Availability of fish
Illegal landing of fish
Discard and bycatch
Energy use
Water use for processing
Food yield from catch

trie℠
Certified



Programme Certification, trie[SM]

We are working in partnership with Espersen to support the development of a comprehensive sustainability programme that is at the centre of their business. trie[SM] applies a design process that ensures no important issue is missed, that published science is fully taken into account and that all stakeholder groups are consulted. trie[SM] then requires measures to be put in place to accurately assess the progress of programme actions against a set of long term commitments.

Espersen are building sustainability into their business operations and implementing projects on an on-going basis and because of this we are pleased to award Espersen trie[SM] Certification.

Roland Bonney, Director, trie[SM]

Klaus B. Nielsen (CEO)

Espersen was founded 75 years ago with the aim to develop a market for the abundant Baltic cod. It has been a period of profound change. Our close ties to fisheries, primarily for the Baltic Sea cod, have taught us the hard way how important sustainability is for any business. The landings in the Baltic Sea peaked in 1985 at 435,000 tonnes and bottomed out below 40,000 tonnes just eight years later.

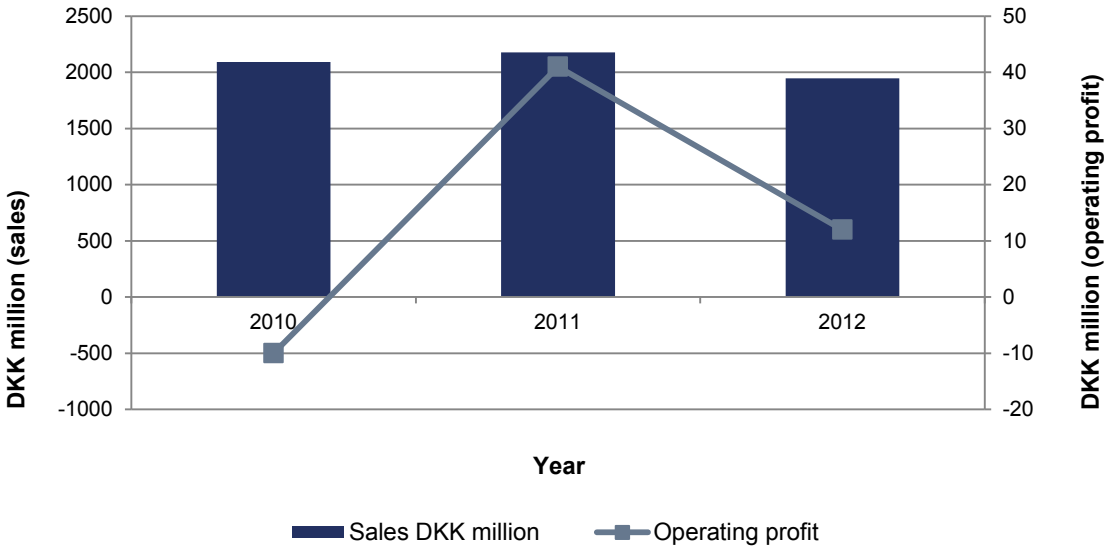
We have learned that by engaging with fisheries, even when going through challenging times, we are able to make a difference. To quote Winston Churchill “Success is not final, failure is not fatal: it is the courage to continue that counts.”

The Eastern Baltic cod stock has recovered through responsible fishing and in 2010 we played our part in achieving MSC certification.

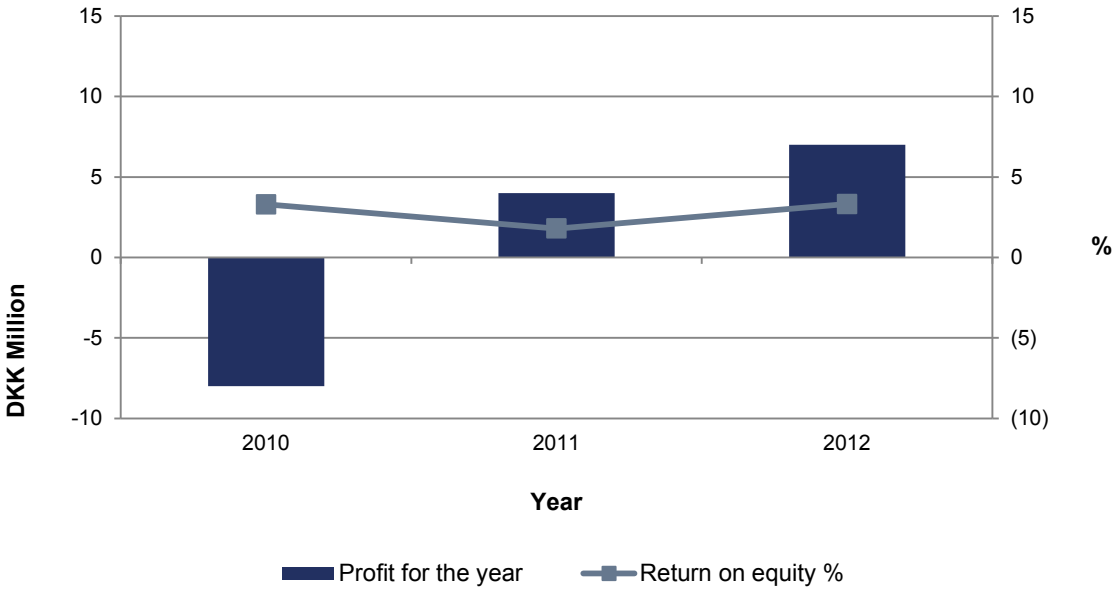
Espersen is internationally renowned in the industry as a responsible company where sustainable development is a natural and vital part of day-to-day operations. With the support of our highly skilled and committed workforce we will continue to take the required steps to help lead the fish industry on a sustainable pathway.

Appendix A: Espersen Key Figures

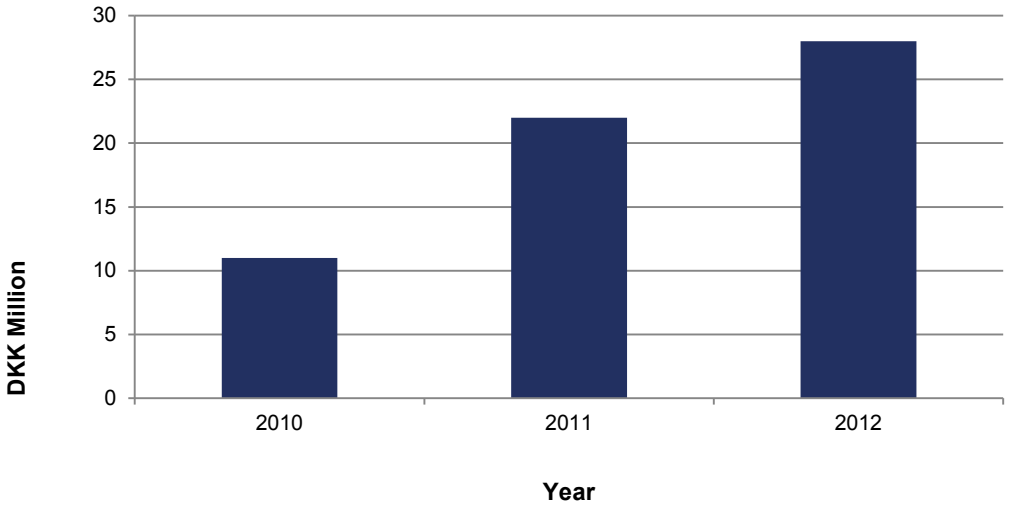
Sales and operating profit (2010 - 2012)



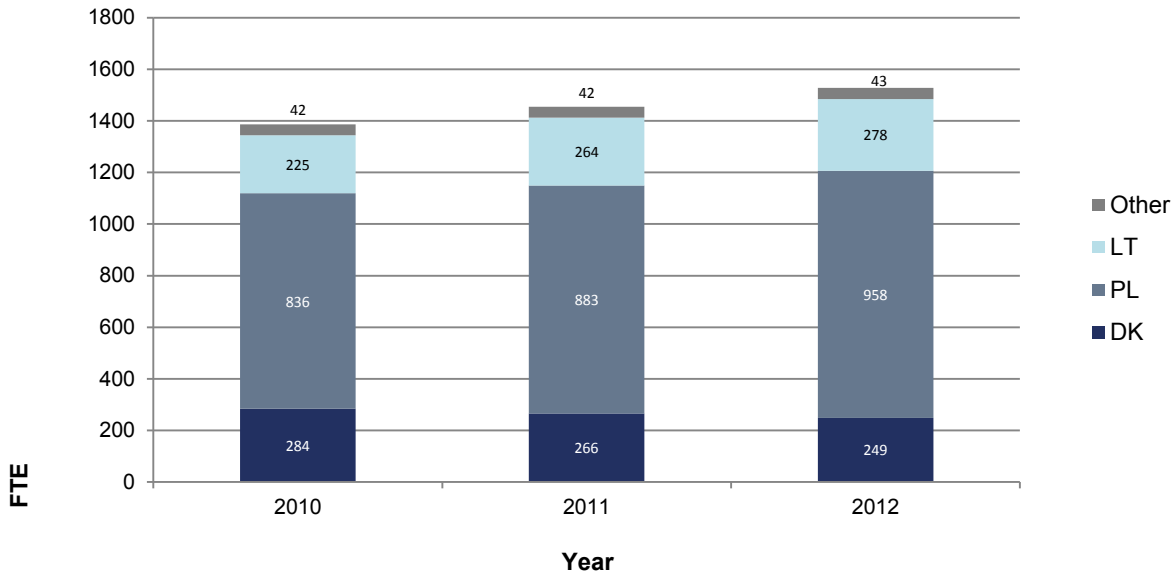
Profit for the year and return on equity (2010 - 2012)



Investments (2010 - 2012)



Full time employees (2010 - 2012)



Appendix B: Science Review

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Appendix C: Sustainability Measures

Here we provide some examples of the measures for each programme area: the measures are as simple as possible, directly relevant to the issue, practical to undertake and validated through science.

- Energy use per mile/catch/tonne
- % of supply coming from certified sources such as Marine Stewardship Council (MSC) or GlobalGAP
- % of traced supply coming directly from trawlers
- Cubic m of potable water use total and per unit of finished product
- % of water recycled
- kWh renewable energy used
- % energy used from renewables
- Overtime worked per head
- Absence / sick leave
- On going compliance with ETI

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