

# Turning the Tide

Sustainability Report 2019

Delicious  
Seafood  
with passion

SPERSEN



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# From the CEO

The climate is changing. Globally there is more focus than ever on our collective need to tackle the climate crisis. The latest research shows that 2019 was the second hottest on record, and the analyses reveals that this is not a blip: both the past five years and the past decade are the hottest in 150 years.

The trend of rising temperatures has also been reflected in the ocean. The consequences of this change will be felt across the planet, and beyond the wider implications, we know that these changes will have repercussions for our business in the short term. A recent UN FAO report has predicted that climate change will lead to significant changes in the availability of fish stocks across the oceans. Studies have also indicated that stocks of some fish species (such as Atlantic cod) are moving into new areas, while others (e.g. polar cod) will abandon their current locations. This can be a challenge — especially if several countries share responsibility for the management of a fishery and its fish stocks. As sustainable stocks are the foundation of our business, we are convinced that we as an industry can solve such challenges if needed.

At Espersen, we feel these changes in our personal mindset and behavior, and it impacts our business. However, crucially we believe that it is not too late to make a change, and that the time to act is now. The rapid growth of the international youth movement against climate change has shown that the world is changing and there is a new global agenda — one that is focused on tackling climate change. Across the world, governments and companies are reacting too. A recent report has shown that in 2019 advanced economies were able to reduce their total energy-related CO2 emissions by 3.2% despite economic growth. Here at Espersen our overall energy use fell by 5.4% in 2019 despite an increase in production of 6.6%. As a result our energy consumption per kg of product produced also fell for the first time in four years.

We are proud of our sustainability work to date; however, we also understand that this is an ongoing process, which requires continuous work. That is why we have launched our new company purpose: to help feed a growing population with healthy, delicious and climate-friendly seafood.

As well as focussing on our environmental impact, we believe to achieve sustainability as a business we also need to focus on ethical and economic sustainability. For us, ethical concerns mostly centre around the treatment and welfare of those who work with and for us, in both their professional and personal environments. Economic sustainability means being able to deliver our products to our customers at a cost they can afford, while also helping to support the livelihoods of our employees, their families and communities — the people at the core of our business. It is this full spectrum of concern for sustainability that our customers expect and respect us for.

The world is changing and Espersen is changing to reflect this new reality. Successfully tackling the climate crisis will require our industry, and all those who rely on the oceans, to collaborate and we are proud of the role we play in this movement. We also believe that our new strategy and ambitious commitments will provide a foundation on which we can continue to improve the ethical, environmental and economic impact we have on the world around us.

Klaus Nielsen

# Esperesen Business Model

An integrated company committed  
to winning with our customers

## 1. Leading position

We maintain significant positions in the markets where we operate, currently we have production plants and non-production units in Denmark, France, Lithuania, Poland, Russia, Sweden, UK and Vietnam. To maintain competitiveness we are constantly focused on improving our productivity and utilizing our scale to be cost efficient. Esperesen is recognized for its superior quality and maintaining and delivering the highest quality is paramount to us. Strong relationships with the fishermen catching the raw material we source, primarily cod, haddock, hoki, pollock, and saithe, is key to our success.

## 2. Sustainable production

Our focus on sustainability gives us a competitive advantage – both because it ensures we source and handle our raw materials with care and respect, and because our customers are increasingly looking for sustainability in supply as a differentiator. We are always looking to reduce our own impact on the environment and we aim to make a positive difference to the communities in which we operate. Guided by the skills and passion of people, we continue to help lead the fishing industry on a journey towards sustainability.

## 3. Innovation

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 compared to their competitors. That is why our innovation is informed by our ability to understand our customers' needs.

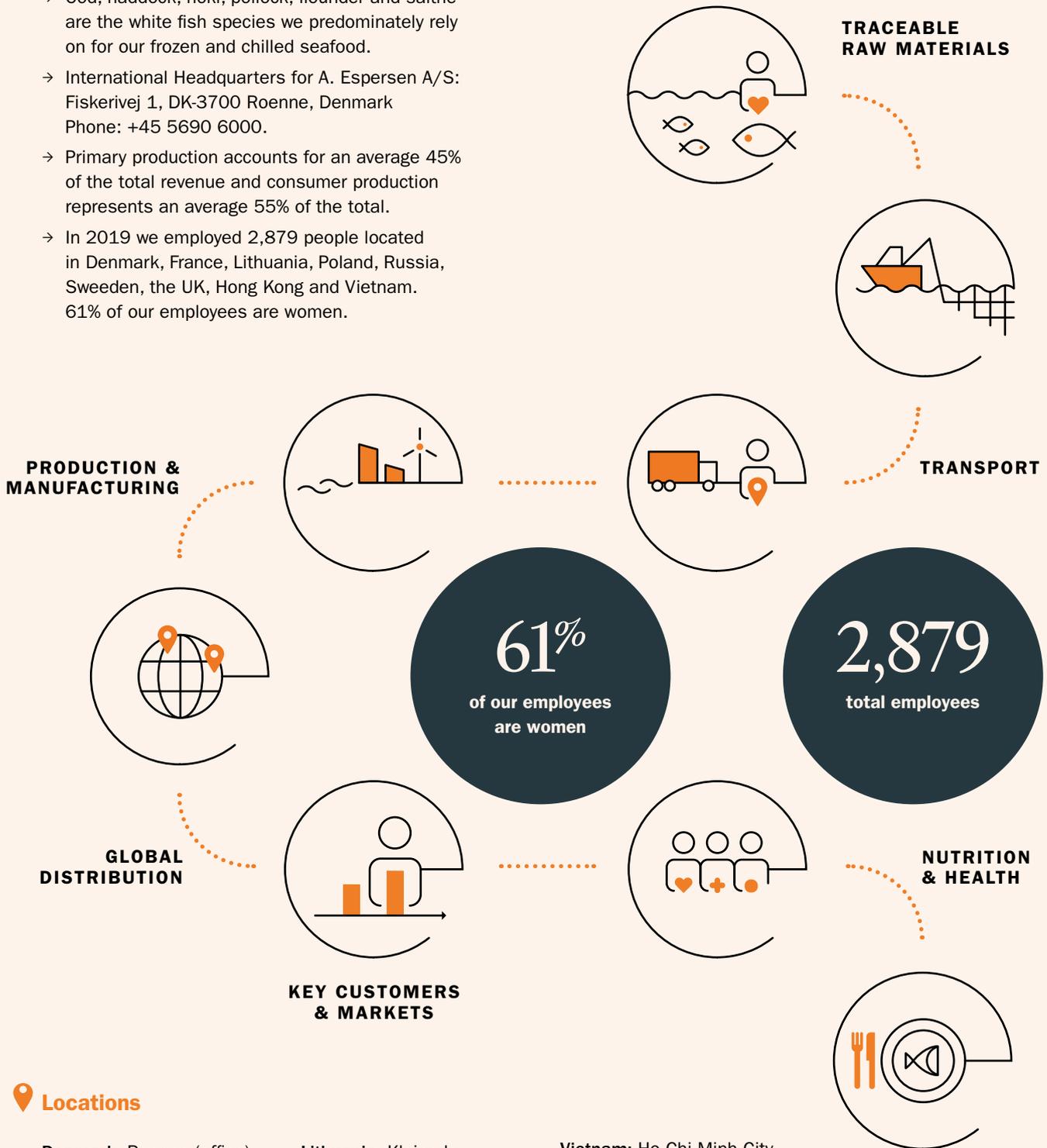
### Winning culture and strong values:

Esperesen 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 sustainably
- We want to win
- We communicate clearly

### Key facts

- Cod, haddock, hoki, pollock, flounder and saithe are 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 accounts for an average 45% of the total revenue and consumer production represents an average 55% of the total.
- In 2019 we employed 2,879 people located in Denmark, France, Lithuania, Poland, Russia, Sweden, the UK, Hong Kong and Vietnam. 61% of our employees are women.



### Locations

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

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

**Lithuania:** Klaipeda (primary)

**Russia:** Novgorod (consumer)

**Sweden:** Stockholm (office)

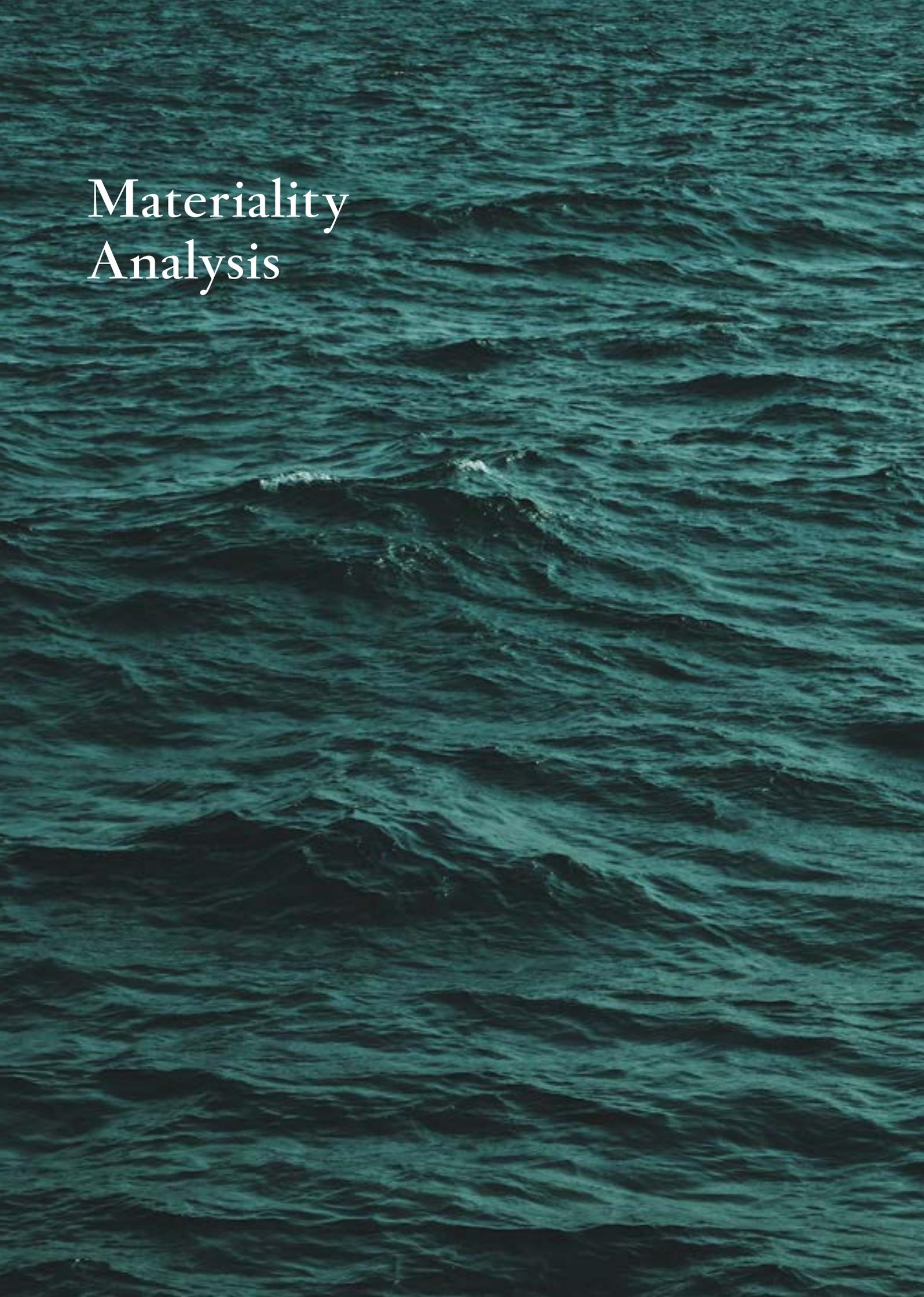
**Vietnam:** Ho Chi Minh City (primary)

**Hong Kong:** (office)

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

**UK:** Grimsby (office)

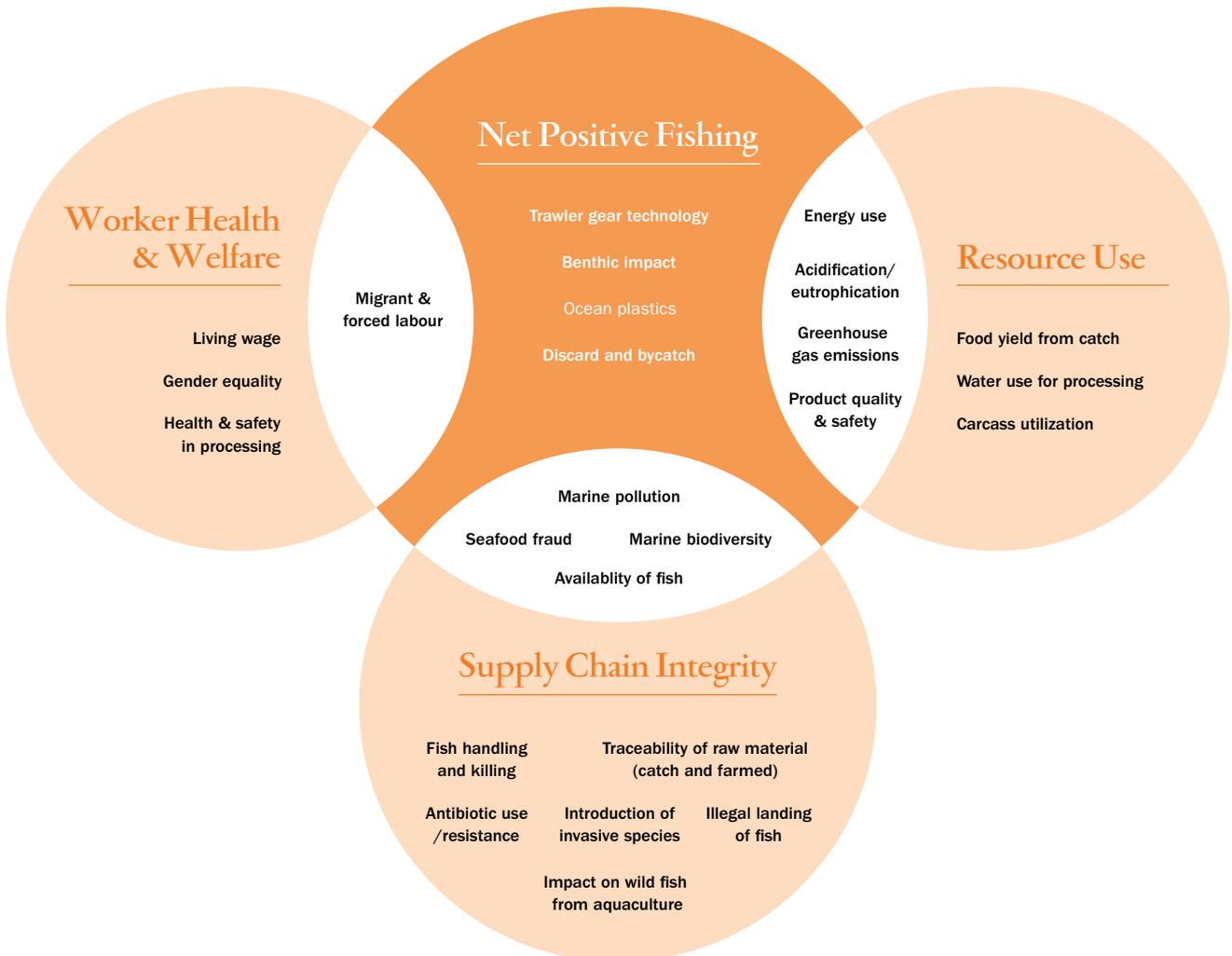
**SEAFOOD WITH PASSION**

An aerial photograph of a vast ocean with a teal or cyan color palette. The water is textured with numerous small, white-capped waves that create a rhythmic pattern across the surface. The lighting is soft, highlighting the crests of the waves and casting gentle shadows in the troughs.

# Materiality Analysis

We continuously implement the following steps in developing our programme and ensuring it stays relevant and tackles our most material challenges:

1. Identify our business 'footprint' to establish our reach and potential impact across our entire supply chain.
2. Capture 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. Carry out an internal and external stakeholder survey. The purpose of the survey is twofold — to measure the involvement and ownership of our sustainability programme amongst our staff and secondly, to ensure that our programme has the scope to tackle the most material challenges to our business. In our latest survey (carried out in 2018) 21 internal and 65 external stakeholders participated — and we included people with backgrounds and expertise in both wild fisheries and aquaculture. Ensure we remain up to date on key sustainability challenges identified in the scientific community, as well as those which are the key focus of consumers.



# Our Climate Action Plan



**Max Sørensen**  
Chief Operating Officer

Climate change is high on our agenda. In the introduction to this report our CEO has highlighted that addressing climate change is a key business focus for Espersen, as he also did in 2018's report.

If we were asked what we are doing to reduce our climate footprint, the answer could be something like: 'We rely on climate friendly raw materials and we strive to continuously deliver savings on energy, water and waste in our production, while increasing productivity'.

But we recognize that we can and must do more than this to reduce our climate footprint. That is why we have developed this action plan.

**The plan is divided into four areas. Impact from:**

- Production
- Logistic
- Waste
- Travel

In the following, I will explain some of the ideas and actions we will work on in the near future, but we also recognize that our plans will most likely change as we gain greater knowledge of the area and its complexity.

This will be learning by doing. In some areas like energy and water usage in production we have a lot of experience. In other areas such as our travel footprint, we do not have a lot of experience, yet.

## Production

All of our factories are already working to reduce our environmental impact and have been doing this for years. After all, reducing electricity or water consumption will automatically lead to savings. Lower electricity consumption also leads to a lower carbon footprint if the way the electricity is produced is not changed.

Now we want to formalize this work more and make sure that we live up to our purpose by linking good business results and sustainable practices.

The environmental specialists on site will play a key role. We want to draw on their experiences and competences. We have also created a new project manager role which will be responsible for driving the process and delivering solutions.

This work will be governed by the Espersen Environment Board comprising top management, production directors and the Head of Sustainability. The Board is responsible for the Environmental Policy, corporate targets and financing of major initiatives.

The outcome from this work will be targets for how much we can reduce our climate footprint for production by 2022.

## Logistics

This covers distribution of headed and gutted fish from ports in e.g. Norway to factory in Poland, Lithuania or Vietnam. It also covers semi-finished products from factories in North America to factories in Denmark, Poland or Russia, as well as distribution of consumer products from our factories to cold store across Europe and North America. Transportation is typically done by truck or ship.

Our logistics team has already introduced a requirement for the trucks we use which, as a minimum, should all meet the EURO 6 classification (this refers to an EU standard for max. allowable particulate emissions from trucks).

Our logistics team works closely with our production planning team to find the right balance between reducing our climate impact without the risk of delay of raw materials for a specific production. For example, transport by vessel has a lower climate impact than transport by truck, but transport within Europe by truck is normally more flexible and faster. In addition, this is usually the way we distribute products from our factories and to our customers.

Therefore the focus areas in 2020 are a) to come up with an estimate on the environmental impact of the set-up we use today, and b) to use that data to create a plan on how we can reduce this in the future.

## Waste

As with energy, all of our factories have worked for years to reduce waste by sending larger and larger quantities for recycling (especially, cardboard, paper and plastic). In 2015 approx. 880 tons of our waste was recycled, in 2019 it was more than 2.550 tons. This is not only good for the environment, as a reduction of waste will automatically lead to financial savings too.

In recent years, food loss and waste has become an issue of great public concern. We believe that recording the type and amount of waste is crucial. Access to this data allows us to make company wide and factory specific action plans on how to reduce waste across our processes. Successful implementation of these plans relies on employee awareness and engagement. It will be essential that they see the value of our raw materials – from the fish we source, to the spices, breadcrumbs and other ingredients too.

In 2017 we signed up to Target 12.3 of the Sustainable Development Goals and thereby made the commitment to reduce food waste in our own operations by 50% by 2030. The numbers and trends are part of this report. This year our food waste is approximately 2%.

In addition, a key measure of our success is how much of the raw materials we purchase end up as food for people. For the total quantity of fresh and frozen fish we buy and use in our production, we have a target of utilizing 90% for human consumption by 2020. This year we used 76.8%.

An updated strategy will be ready by mid-2021.

## Travel

We are an international seafood company with sites in Denmark, France, Lithuania, Poland, Russia, Sweden, United Kingdom and Vietnam. We deliver to customers in both Europe and the USA, some of which count amongst the largest multi-national food corporations in the world. All of this means that traveling will be a part of our climate impact, whether it will be by plane, train or car.

We have started to systematically collect data of our air travel and company car travel in order to develop a strategy for how to reduce our climate impact from travel without at the same time making business travel complicated for employees.

We are still in a start-up phase of this project, but we know that in 2018 and 2019 we traveled 970.136 and 786.931 miles respectively by plane, and that our company cars used more than 27.210 liters of fuel in 2018.

We will continue to collect data in order to be able to develop a strategy for how we can reduce the climate impact of travel (e.g. we still have to include taxis and train journeys etc.). Our ambition is to have a travel strategy ready by the end of 2020.

# Our Sea, Our Fish, Our Food

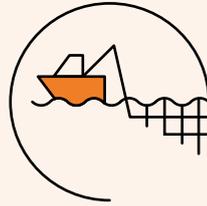
Food systems are integral to the health of people and the sustainability of the planet. Sustainability is about being fit for the future, which means being ready to adapt your approach and efforts. Developing inclusive, sustainable, efficient, nutritious and healthy food systems is essential to achieve the Sustainable Development Goals (SDGs).

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.

Currently, nearly half of the world's population does not eat a properly nutritious diet and we believe seafood is key to address this crisis. Oceans cover three quarters of the Earth's surface, more than 3 billion people depend on healthy oceans for their primary source of protein and over 200 million people are in some way employed in marine fisheries. This is why Espersen has made contributing to the SDGs a core element of our sustainability program.

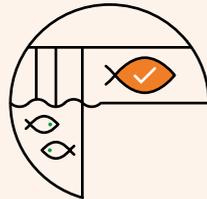


## Focus & Goals



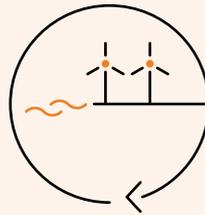
### Net Positive Fishing

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



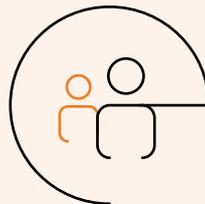
### Supply Chain Integrity

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 & Welfare

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



# Objectives & Results

100%

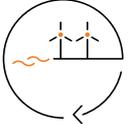
traceability back to source

92.8%

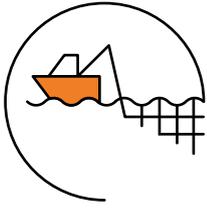
of all sourced fish is from GSSI recognized Seafood Certification Schemes such as MSC

74.5%

of all sourced fish is used for human consumption

Focus Area	SDG Goal
<b>Net Positive Fishing</b> 	 <b>Goal 14: Life below water</b> Conserve and sustainably use the oceans, seas and marine resources.  <b>Target 14.2:</b> Sustainably manage and protect marine and coastal ecosystems.  <b>Target 14.4:</b> 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.  <b>Target 14.C:</b> Enhance the conservation and sustainable use of the oceans and their resources.
<b>Supply Chain Integrity</b> 	 <b>Goal 2: Zero hunger</b> End hunger, achieve food security and improved nutrition and promote sustainable agriculture  <b>Target 2.4:</b> By 2030, ensure sustainable food production systems.   <b>Goal 8: Decent work and economic growth</b> Promote inclusive and sustainable economic growth, employment and decent work for all.  <b>Target 8.7:</b> Take immediate and effective measures to eradicate forced labour, end modern slavery and human trafficking.
<b>Resource Use</b> 	 <b>Goal 13: Climate action</b> Take urgent action to combat climate change and its impacts.   <b>Goal 8: Decent work and economic growth</b> <b>Target 8.4:</b> Decouple economic growth from environmental degradation.   <b>Goal 12: Responsible consumption and production</b> Ensure sustainable consumption and production patterns.  <b>Target 12.3:</b> By 2030, halve per capita global food waste at the retail and consumer levels and reduce food losses along production and supply.  <b>Target 12.5:</b> By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse.
<b>Worker Health &amp; Welfare</b> 	 <b>Goal 8: Decent work and economic growth</b> <b>Target 8.8:</b> Protect labour rights and promote safe and secure working environments for all workers.   <b>Goal 5: Gender equality</b> Achieve gender equality and empower all women and girls.  <b>Target 5.5:</b> Ensure women's full and effective participation and equal opportunities for leadership at all levels of decision-making.

Espersen Goal	Objective	Reported Results (update)
<p>Conserve and sustainably use the oceans, seas and marine resources as a vital source of healthy and affordable food.</p>	<p>Identify and promote new gear technology with improved fish handling, selectivity and reduced energy use and environmental impact.</p>	<ul style="list-style-type: none"> <li>→ Continuously looking for new partners well placed to take this work forward.</li> </ul>
	<p>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.</p>	<ul style="list-style-type: none"> <li>→ The Industry Group Agreement to Cod fishery in the northern part of North-East Atlantic (FAO area 27, ICES division IIb2 and Ib) — is an example of a successful industrial collaboration</li> <li>→ Founding member of GSSI.</li> </ul>
<p>Secure traceable supply of 'delicious seafood with passion' from viable fish stocks and best practice aquaculture.</p>	<p>Ensure purchasing decisions are based on robust sustainability criteria and implement monitoring system of all sourced fish (wild and farmed).</p>	<ul style="list-style-type: none"> <li>→ 92.8% of all sourced fish is from GSSI recognized Seafood Certification Schemes such as MSC or ASC.</li> <li>→ Compliance with Modern Slavery Act.</li> </ul>
	<p>Implement electronic traceability systems throughout the supply chain such that all stock can be traced back to source.</p>	<ul style="list-style-type: none"> <li>→ 100% traceability back to source.</li> <li>→ Electronic traceability system from factory gate to end customer.</li> <li>→ Support for the global dialogue on seafood traceability.</li> <li>→ Implement online whistleblower system.</li> </ul>
<p>Use resources responsibly with the aim to decouple waste, water and energy use from our production footprint.</p>	<p>Cap greenhouse gas emissions at 2011 level within the Espersen group.</p>	<ul style="list-style-type: none"> <li>→ CO2 equivalent kg emissions decreased versus 2018 (in total as well as per kg of Product).</li> <li>→ Began reporting to CDP in 2018 – current rating is D based on 2018 data.</li> </ul>
	<p>Decouple energy use from kg of product produced.</p>	<ul style="list-style-type: none"> <li>→ Achieved. Despite an increase in production of 6.6%, overall energy use fell by 5.4% in 2019.</li> </ul>
	<p>Decouple water use from kg of product produced.</p>	<ul style="list-style-type: none"> <li>→ Achieved. Water use fell by 7% in 2019 despite a rise in production of 6.6%.</li> </ul>
	<p>No waste to landfill.</p>	<ul style="list-style-type: none"> <li>→ Not achieved. But compared to 2018 we have reduced the volume of waste sent to Landfill by 11.5%, a reduction of 40 tons to a total of 314 tons.</li> <li>→ Recycling of paper, cardboard, plastic, wood and metal increased by nearly 7% — increasing across the company by almost 160 tons, to a total of 2,557 tons in 2019.</li> <li>→ We started measuring the amount of plastic recycled in 2007. Plastic recycling has increased by 577% in the last 5 years, from 64 tons in 2015 to 436 tons in 2019.</li> </ul>
	<p>90% Carcass Utilization for human consumption of sourced fresh/frozen fish by 2022.</p>	<ul style="list-style-type: none"> <li>→ 74.5% of the foodstuffs we bought was used for human consumption (up slightly from 73.5% last year).</li> <li>→ Of the 18,420 tons of foodstuff not used for human consumption, 85% was sold as by-product for animal feed and 15% was used for biogas production.</li> <li>→ As part of the 'Champions 12.3' group we report on our commitment to halve food waste by 2030.</li> <li>→ In 2019 our food waste accounted for 1.7 tons of food waste, a slight increase on the previous year, something which we are working to address.</li> </ul>
<p>Ensure all our employees recognize Espersen as a good and safe place to work, wherever we are in the world.</p>	<p>Maintain the Ethical Trading Initiative (ETI) as our baseline standard and to review it regularly for continuous improvement.</p>	<ul style="list-style-type: none"> <li>→ 100% of facilities are ETI Base Code certified or audited to customer specific higher standards.</li> <li>→ Group-wide reporting and response procedure for Accidents in the Workplace (232 accidents in 2019).</li> </ul>
	<p>Ensure at least 25% of appointed Board members are women by 2019.</p>	<ul style="list-style-type: none"> <li>→ One of the six appointed Board members are women (17%).</li> <li>→ Gender-based reporting for all levels of management across the Group.</li> <li>→ At Director, Senior Manager and Manager level 50% are women.</li> <li>→ 61% of all employees are women.</li> </ul>



# Net Positive Fishing

## Goal:

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

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## 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.
- 

## What we are doing:

- We continue to promote alternative gear design and are looking for partners that can take this work forward in a practical way.
- We continue to participate and support the industry group agreement on fishing in the North East Atlantic.
- We participate and support industry initiatives that promote sustainable development in fisheries and production of seafood.



Since 2016, a group of retailers, processors and vessel operators have worked together to ensure the sustainability and biodiversity of the northeast marine area around Svalbard Islands. These waters, both recognized as important fishing grounds of international interest and identified as critical in safeguarding ecological biodiversity, are becoming more accessible to fishing vessels due to the receding Arctic sea ice. In response to this changing landscape, the industry agreement defined a voluntary avoided area to the north of Svalbard in order to encourage product sustainability of the cod supply chain.

From the start of this project the group has been in contact with the Norwegian authorities in order to find a long-term solution. The Norwegian government prioritized this project and moved an existing project — MAREANO — to the northeast marine area around Svalbard Islands. MAREANO maps depth and topography, sediment composition, contaminants, biotopes and habitats in Norwegian waters (<https://mareano.no/en>).

MAREANO-results contributed significantly with marine benthic knowledge to the revision of the Management plan for the Norwegian territorial waters. Based on these results, the Norwegian government adopted a new legislation March 2019 for the northeast marine area around Svalbard Islands. This legislation delineates existing as well as new fishing areas as well as establishes ten closed areas.

The results from this project was presented at a workshop April 2019 organized by the industry initiative. The legislation came into force July 1st 2019.

The Industry Group Agreement to Cod Fishery is a rare example of what can be achieved when fish processors like Espersen work together with the harvesting sector to gain the support and backing from governments, NGOs and major brands.

With the implementation of this legislation, the industry agreement was no longer needed. Thanks to the initiative, pristine areas around the Svalbard archipelago will be protected from trawlers until the status of the ecosystems has been established.

### So what now?

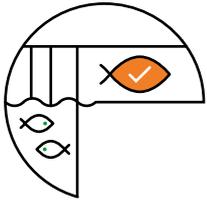
One topic keeps popping up in the news and various publications, micro- and nano-plastics in the marine environment. The Seafood industry is in no way the cause of the problem, but with plastic ending up in the seas and our products, it automatically becomes our problem too.

Therefore, one of our focus areas for the coming year will be to gain insight into the causes and effects of plastics in the marine environment. Greater knowledge of the issues will make it possible to create an action plan for how we as a company can help solve this problem.

This will require collaboration with other companies and not least scientists.

Another issue on our radar is the rising sea temperature and how will effect fish stocks. Too warm or too cold – fish stocks have a preferred temperature range e. g. cod is positively affected (so far) by increased temperature in northern areas like the Barents Sea and negatively in the Celtic Sea or in the Baltic Sea.

Cod has so far shown modest changes in spawning areas, although areas north of Lofoten have grown in importance in recent years.



# Supply Chain Integrity

Our customer relationships up and down the supply chain are built on trust. The future of the seafood community depends on consumer confidence. Our credibility becomes increasingly important as more consumers choose seafood for its tremendous health benefit but negative publicity can damage our reputation and businesses.

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.

Fraud is unacceptable and can have a severe impact on legitimate operators, reputation and especially consumer confidence in the food they buy. Suppliers who cheat customers cheat the entire industry. We are all responsible for reputational issues and we can only tackle these by collaboration in a non-competitive environment.

That is the reason why Espersen has decided to collaborate with other companies which share our concerns to combat fraud. We are embarking on a program of scientifically supported monitoring to prove the integrity of our products which will also allow us to expose the instances

**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 such that all stock can be traced back to source

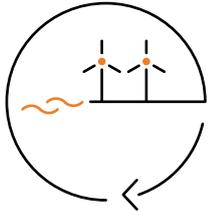
**What we are doing:**

- Traceability and 3rd Party Certification:
  - 100% of the fish we buy is traceable back to source (fishery, species, boat). Electronic traceability system in place from factory gate to end customer.
  - 92.8% of the fish we buy is from GSSI accredited certification schemes (e.g. MSC, ASC, BAP).
- Ongoing supplier assessment and Modern Slavery Act compliance.
  - We believe that having a detailed and comprehensive understanding of every step of our supply chain is an essential first step in meeting our business objectives.
  - To minimize risks in our supply chain we monitor all our suppliers continuously and strive to work in

partnership with them to ensure that no labour abuse will happen. The philosophy behind this process is to identify suppliers which share our values and develop long-term, mutually beneficial relationships.

- Our supplier monitoring process includes self-assessments as well as site visits, and uses a risk rating tool to allow us to focus our resources on areas of our supply chain with the highest potential risk.
- Support for the Global Dialogue on Seafood Traceability.
- Whistleblower system:
  - We assess our supply chain regularly to evaluate any risks of unethical behaviour such as corruption. Driving responsible business practice is of high importance to us. Espersen is against corruption in all its forms, including bribery and facilitation payments.
  - In line with the Espersen Code of Conduct, we encourage our employees and partners to report concerns or misconduct within our company as a way to lower the risk of unethical business behaviour. To support the Espersen Code of Conduct, we provide a safe system (Espersen Whistleblower System) for employees and partners to report concerns or illegal activities in the workplace: <https://espersen.whistleblownetwork.net/FrontPages/Default.aspx>
  - In 2019 we had one incident through our whistleblower system, which was resolved through our standard procedure.





# Resource Use

Plastic in the environment is area of ongoing interest and concern for consumers, and our industry as a whole. Plastic is important for food safety and reduction of food waste. Therefore, global plastic production has increased exponentially over the past decades.

Unfortunately, a significant proportion of the plastic produced is not disposed of properly and persists in the environment, especially the marine environment. Plastics in the environment are of course unacceptable.

In addition, microplastics have been found in various types of human food and the majority of the reports have studied their occurrence in seafood. Thus, seafood appears to be the most understood source of microplastics to humans.

This is another example of a problem that should be solved at the industry level. At Espersen, we are already engaged in industry projects with a view to finding long-term solutions to this complicated problem. We can only encourage others to support such industrial projects.

## Goal:

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

## Objectives:

- Cap greenhouse gas emissions at 2011 level within the Espersen group (scope 1 & scope 2).
- Decouple energy and water use from kg of product produced.
- No waste to landfill.
- 90% Carcass Utilization of fresh/frozen fish by 2022.
- Develop a strategy to reduce our impact on climate change.

## What we are doing:

- As a Champion 12.3 member we are committed to halving our food waste by 2030. Our food waste increase from approx. 1.100 t in 2018 to 1.700 in 2019.
- Developed Sustainable Packaging Strategy, with a focus on reducing plastic in packaging by 2025:
  - 75% of the plastic should be bioplastic.
  - Reduce volume with 15% per unit compared to 2017.
  - Reduce the use of mixed laminated plastic by 40%.
- CO2 equivalent kg emission per kg of product decreased (1.5%) for the first time in four years.
- Climate impact ported to CDP. Our current rating is D.
- Total energy use decreased with more than 2.270.000 kWh despite 6.6% increase in production.
- Total water use decreased with 7.1% to less than 622.000 m<sup>3</sup>.
- 12% reduction of the volume of waste to landfill.
- Amount of paper, cardboard, plastic, wood and metal sent to recycling increased with 7% to almost 2.558 compared to 2018.
- Use 74.5% of purchased foodstuffs for human consumption.
- Developing an Espersen Climate Action Plan 2020–2025.

## Reducing waste and increasing efficiency



**Reidar Inselseth**  
Managing Director at Espersen Lietuva UAB

### Why does sustainable resource use matter to you?

I believe that it is very important that we all try take a little bit more care of the world we are living in, and the world we are delivering to our children. Reducing waste and utilising resources efficiently will benefit the whole of society, and also has clear business benefits for Espersen. It helps us to ensure we are a lean business and also helps us to differentiate ourselves towards our customers. That is why we have launched Mission Climate Friendly, a project to create a new organisational framework to ensure that we take a structured approach to our plans to rely on climate friendly raw materials, reduce use, and increase productivity.

### What are you working on to improve Espersen's operations?

In 2019 our focus was on reducing waste and increasing efficiency in electricity usage, heating, water consumption and waste management. For instance, we implemented projects to improve our lighting technology, we improved our energy usage in heating at our production facilities, and also increased our recycling of scrap metal. I am very proud that we were able to reduce our usage of polystyrene packaging. To do this we worked with one of our strategic partners to implement a new and innovative processes to go from an annual use of more than 150,000 EPS boxes to zero in 2019.

### How have you achieved this success?

It all stems from the great job that is being done by our employees. In particular the work of our Environmental Site Managers has been key to the huge success we have seen in 2019.

Organisationally our approach was to start by measuring every element of our operations. Reliable and current data is really important. Our next step was to make this information available to everybody in the business so each employee can track progress. By visualising this data we are showing that this is something that is important to the business. And then by removing bureaucracy and giving our employees ownership of the issues we allow them to create their own solutions to reducing our impact. This has been one of the most rewarding aspects of the project. People get excited because they can see exactly how their efforts are making an impact, and they are proud of the impact they have created.

### Which initiative are you most excited about and why?

One project which I have been closely involved with was to implement a change in our processing plant which allowed us to recirculate the hot gas from our compressors to produce hot water. This reduced our energy consumption, and also made our compressors more efficient too. It is very satisfying when one change makes a double win like this — especially when the reduced costs mean that the project will pay for itself within three years.

There's so much to talk about here so it's hard to choose only one! Another project in our Koszalin factory also springs to mind. By sharing data and comparing best practice across our factories, we were able to identify a range of simple process changes, which led to a significant reduction in water usage in our fillet factory.

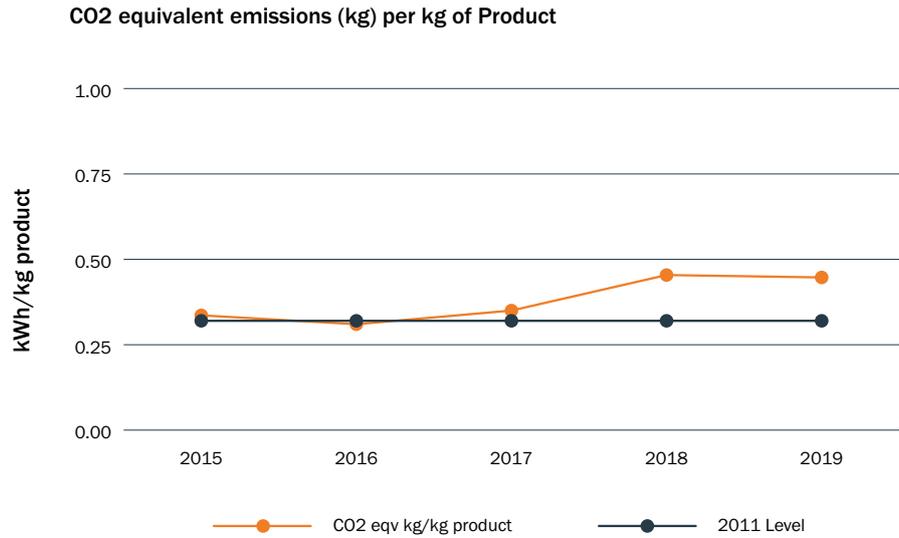
### Five years from now, what do you think our operations will look like?

We are full of ideas for the future and have many initiatives which will make us more efficient! I also believe we will have a really structured set-up for how we are using and managing resources to ensure we remain on a path of continuous improvement.

# Results

## CO<sub>2</sub> equivalent emissions (kg) per kg of Product

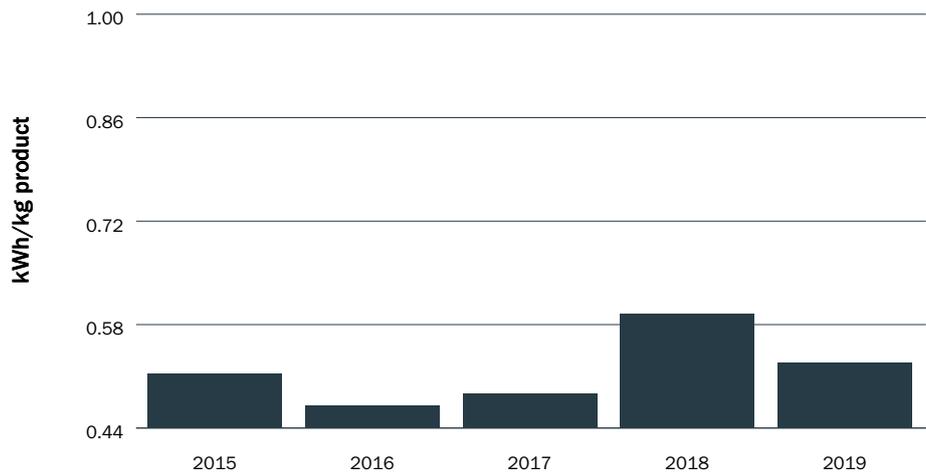
CO<sub>2</sub> equivalent kg emissions, per kg of product, decreased slightly versus 2018.



## Energy usage (kWh) per kg product

Despite an increase in production of 6.6%, overall energy use fell by 5.4% in 2019. As a result energy consumption per kg of product produced also fell versus 2018

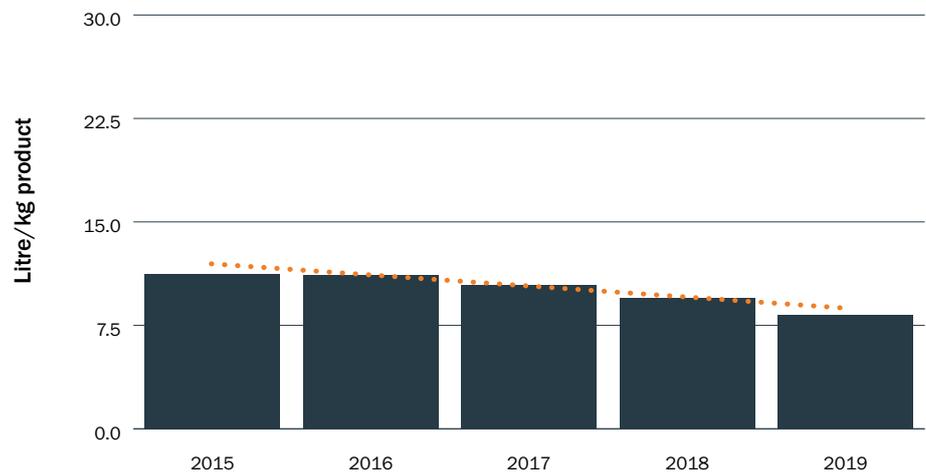
Energy consumption per kg products Espersen Group 2015 – 2019



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

Overall water use fell by 7% in 2019 despite a rise in production of 6.6%. As a result water use per kg of product continued to fall.

Water usage Espersen 2015 – 2019



### Waste to landfill and recycling

Reduced the volume of waste sent to landfill by 11.5% compared to 2018, a reduction of 40 tons to a total of 314 tons.

Recycling of paper, cardboard, plastic, wood and metal increased by nearly 7% — increasing across the company by almost 160 tons, to a total of 2,557 tons in 2019.



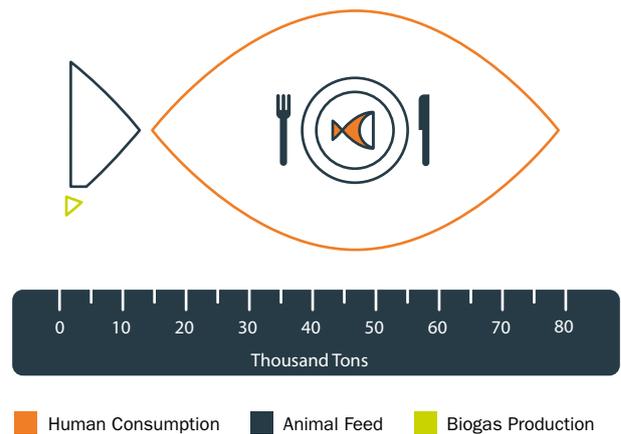
### Carcass utilisation and food waste

74.5% of the foodstuffs (mainly fish) we bought was used for human consumption (up slightly from 73.5% last year).

Of the 18,420 tons of foodstuff not used for human consumption, 85% was sold as by-product for animal feed and 15% was used for biogas production.

As part of the ‘Champions 12.3’ group we report on our commitment to halve food waste by 2030.

In 2019 we accounted for 1.7 tons of food waste, a slight increase on 2018, something which we are focussed on addressing.





# Worker Health & 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 review it regularly for continuous improvement.
- Ensure at least 25% of appointed board members are women by 2023.
- Develop strategy to improve a more even gender distribution at all levels of management.
- Analyse significant risks related to health & safety in the workplace and develop an action plan to minimize these risks.

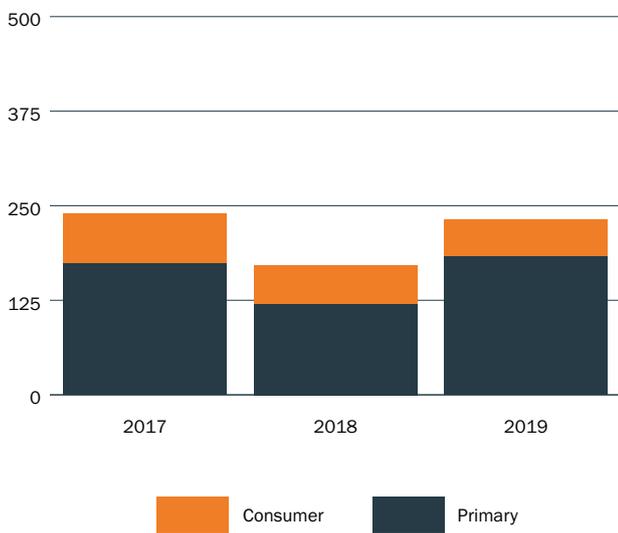
## What we are doing:

- Continue to achieve ETI Base Code certification or auditing to customer specific higher standards in 100% of our facilities.
- Group-wide reporting and response procedure for Accidents in the Workplace.
- Reduced number of accidents — 232 accidents in 2019 (166 accidents in 2018). This corresponds to H1 at 42.4 in 2019, compared to 33.1 in 2018.
- Gender-based reporting for all levels of management across the company.
- One of the six appointed board members are women (17%). We aim to secure gender equality in the Board of Directors (where “equality” for Board of Directors is as defined by the Danish Business Authority) — which is similar to our aim in the rest of our business. We aim to do this by 2023. When recruiting new Board members the headhunter is requested to present candidates of both genders and then the best qualified person is selected.
- At Director, Senior Manager and Manager level 50% are women and 61% of all employees are women.

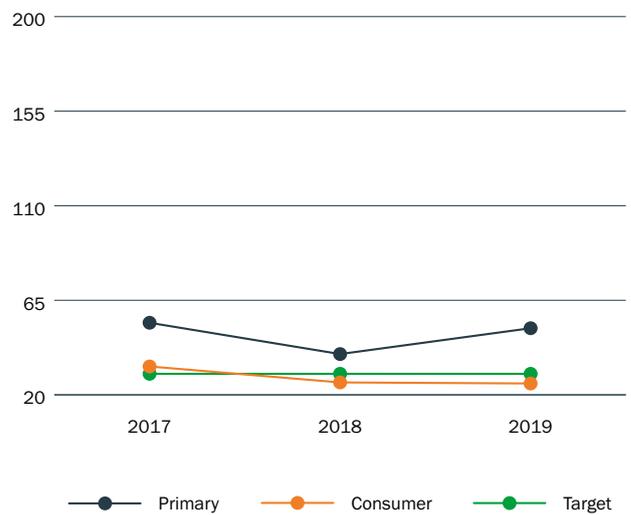




Accident per division



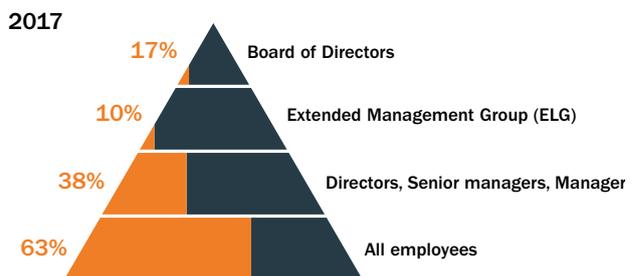
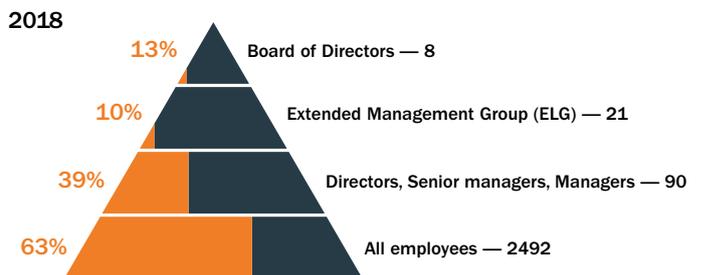
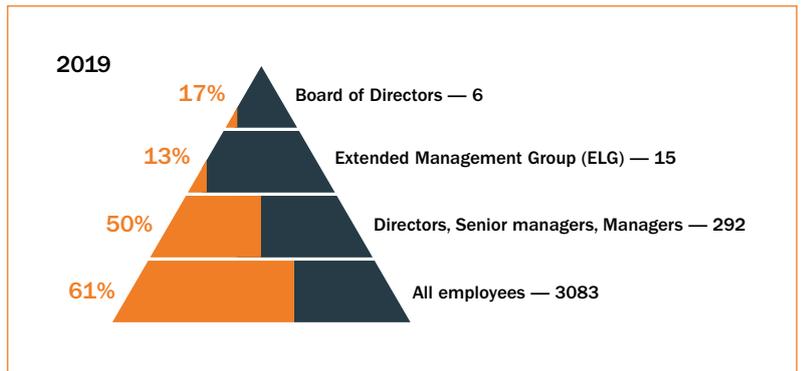
H1 values per division and company average





## Group-wide gender reporting

At Espersen we believe diversity is important. We ensure that the profiles of our board members and our managers have the necessary range of perspectives, experience and expertise required to achieve effective stewardship and management. Our ambition is that our board will become more diverse — we are therefore actively seeking female candidates to help us achieve this goal.



Female Male

# Espersen Novgorod — Children's Homes Partnership



**Olga Timofeeva**  
Head of HR — Espersen Russia

## Please could you give an overview of the project?

We currently have a partnership with two children's homes — the first has been going since 2014, and the second began in 2019. Children at the homes start from two years old and stay until they begin school (at seven). Although these children's homes do receive funding, they are often short of resources, and so it was our General Manager who initially suggested that we should contact them and offer our support.

Initially we phoned them to offer to supply our fish products. After a successful trial both homes now make monthly orders and we make sure we deliver what they want. But our relationship has evolved, and they now feel comfortable to contact us and let us know if they have a specific need. For instance, earlier this year they contacted us as they wanted to arrange a New Year party for the children, but didn't have the funding to provide presents. Of course you can't have a party like this without presents for the children, so we were very happy to help out, and provide a small gift for each child.

## Why is the project important to you?

I am a mother with two children and so this project is very personal for me. I have seen how important the role of adults can be in a child's development, and I believe that it is a basic need for every child to have positive adult role models in their life. In my case, it's not just about providing the financial support of food and presents etc, for me it is very rewarding to spend time with the kids and interact with them.

## Why did Espersen decide to get involved in the project?

Espersen is a very socially oriented company. We take our responsibilities to our employees, our clients and to society in general very seriously. That's why we explored this opportunity, because we wanted to be able to offer support to the community in which our business is based.

## What impact has the project had?

For the children's home there is the food support, as well as the other ad hoc projects we have supported. For instance we provided bikes and other garden toys for the children to use in the summer. We also recently provided school uniforms for some of the kids to help them take their next step after they leave the home.

For Espersen there is also a benefit too. Our employees who participate in this project take real pleasure in being involved with the joint activities. In a really memorable recent trip, a group of employees spent some time at the home helping to build bird houses with the kids. We all agreed that the opportunity to interact with the children was really rewarding!

## What do you think the project will look like in 5 years' time?

I believe that we will continue to support both of the children's homes and continue to explore opportunities to help them further.

# Due Diligence Report

## Our responsibility as an International Seafood Processor

Social responsibility is paramount to Espersen. “We say what we do and we do what we say” is one of our values.

We are committed to conducting business in an ethical manner encompasses concerns about labour and human rights issues.

This commitment is part of the company's history and culture, which permeates the entire management team.

This commitment is not limited to our own employees only, no matter whether they work in Denmark, Poland, Lithuania, Russia or Vietnam, but it is part of expectations towards our suppliers as well.

The vast majority of us want to live in a world where all people are treated with dignity and respect. Documenting that this is also the case can be a major challenge when buying wild caught fish from vessel fishing far away from the nearest port, or sourcing shrimps from a farm somewhere in Borneo. Responsible sourcing can be overwhelming, still, we need to understand and respond to the challenges within our company as well as in our supply chain, no matter how difficult these may be.

Responsible sourcing must be viewed in terms of continuous improvement so that incremental improvements can continually be made to our products and processes.

## Improving the welfare of our workers

At Espersen, the employees are our biggest resource, hence our biggest responsibility and we continuously strive to offer an attractive working environment for our workers through our Worker Welfare Programme as described in our CSR policy ([www.espersen.com/commitment/policies](http://www.espersen.com/commitment/policies))

Espersen is an inclusive work place. We do not discriminate either current or future employees. By discrimination, we mean any direct or indirect discrimination based on race, gender, religion or belief, political opinion, sexual orientation, age, disability, nationality, social or ethnic origin.

Neither, shall any employee be subjected to sexual harassment or harassment in general due to his or her gender, race, colour, religion, political opinion, sexual orientation, age or disability.

We believe that diversity is important. Regardless of gender or nationality, everyone will have the opportunity to work at Espersen. Whether we hire or promote an employee, it is all based on his or her qualifications ([www.espersen.com/commitment/policies](http://www.espersen.com/commitment/policies))

We aim to be an attractive workplace with equal opportunities for both men and women. Gender diversity can help to achieve this objective.

We strive for open management positions, if possible, always to consist of at least one-third female Candidates among the candidates called in for an interview. If we use a recruitment agency, the agency is aware of this policy and compliance.

Every year we measure development in gender distribution at different levels in the organisation. The results is published in our sustainability reports.

### Working with our suppliers to minimize risks in our supply chain.

At Espersen, we continuously strive to work in partnership with our suppliers to ensure that our supply chains are sustainable for example, by protecting employees so that abuse does not occur.

This is a major challenge as the seafood industry is international. We buy fish, which may be caught in the Baltic Sea, the North East Atlantic, the Bering Sea, the Sea of Okhotsk, or the Southwest Pacific. These fish can be processed at sea far away from nearest harbor, or processed at local plants around the world, before they end up in one of our production sites. In addition, we might use seafood farmed in the South East Asia or in the Norwegian Sea.

Therefore, there will typically be several suppliers or traders involved in the chain before the raw materials reach one of our production sites. This makes it difficult for us to control every single step in our supply chains, but it is of course not an excuse for doing nothing at all.

Traceability is an extremely important tool, whether it is to ensure good working conditions or that the fish are legally caught.

For several years, our electronic traceability system has been an integral part of our ERP system. This not only makes it easier to identify raw materials used in specific batches, but also makes it easy to create an overview of the quantities of raw materials delivered over a period from specific suppliers or production sites.

To minimize risks in our supply chain whether it is related to food safety, product fraud or working conditions, we source from approved suppliers only. An approved supplier must agree on our requirements for quality, food safety, sustainability and Corporate Social Responsibility.

This procedure includes all types of supplies such as raw materials, ingredients, auxiliary materials, semi-finished products, finished products, direct contact packaging used for products intended for sale and external cold stores.

Over the years, we have built a base of preferred suppliers. Typically, these companies share our values and can deliver high quality products on time. Although, we typically have a close relationship with these suppliers, we constantly record their performance and make follow-up visits. This is based on a principle of developing together and being able to fulfill continuous increased demands on food production.

New suppliers must go through an approval process prior to the first delivery of goods or services. We base our system on a country risk approach developed by Amfori (<https://www.amfori.org/resource/country-risk-classification-2020>).

Their risk classification of countries relies on the Worldwide Governance Indicators, being aggregate indicators of governance 1996-2018. These determine the level of risks related to governance in sourcing countries. The indicators are shown in the table below.

Full interactive access to the aggregate indicators and the underlying source data, is available at [www.govindicators.org](http://www.govindicators.org).

## Countries are classified in two different categories:

- Risk countries, which are countries with average rating between 0-60 or three or more individual dimensions rated below 60.
- Low-risk countries, which are countries with average rating higher than 60 and no more than two individual dimensions rated below 60.

No matter if, the potential supplier is located in a risk or a low-risk country, the company must fill in a questionnaire for the specific production site. The questionnaire relates to food quality and safety, social, environmental and ethical issues. In addition, we ask potential suppliers whether they are 3<sup>rd</sup> part certified in all or some of the areas mentioned above.

If a supplier has relevant 3<sup>rd</sup> part certified schemes as mentioned in the questionnaire and we get a copy of the latest audit report We assess the report prior to approval, and a rating is made based on number of observations and their criticality, which may conclude that the supplier 1) is approved, 2) cannot be approved or 3) we want to audit the supplier our self.

If a supplier do not has relevant 3<sup>rd</sup> part certified schemes, we base the approval on the answers in the questionnaire. This is divided into two sections. One deals with quality and food safety. This part makes up for 60% of the score. The second part deals with the CSR part and makes up the remaining 40%. In both sections, the questions are weighted differently depending on the importance we attach to the specific area. In some cases, the issue is weighted so high, that it alone determine whether the supplier can be approved or not. In addition, the overall score for both areas must be above a certain minimum in order to be approved.

For the Quality & Food Safety questionnaire, the score must be above or equal to 50% out of 60% to be approved. A score between 30% and 50% will require additional information. The score for ethical questionnaire has to be equal or above 30% to be approved, a score between 20% and 30% will require additional information.

If the production site is located in a low risk country and fulfill our expectations as described above, it is approved. Even so, we monitor the site closely for at least the first year. Any deviation from the standard will be considered and may lead to consideration of whether an audit is necessary.

If the site fulfill our expectations as described above, but is located in a risk country, it will be visited within the first 6 months, if it is a high-risk product (e.g. fish products or ingredients), if not within the first 12 months.

In all cases, the all deliveries from the suppliers will be checked as part of our intake control. This data will be part of the ongoing monitoring of our suppliers.

If any of our approved supplier do not supply products to Espersen for more than two years, it will be discontinued as supplier and need to go through the approval process again, if we want to revive our collaboration with the supplier. All approved and active suppliers are re-approved every third year.

If we are asked by a customer of us to source from one of theirs supplier, Espersen will ask for a written statement from the customer, that we can use this supplier for their production.

Finally, we strongly believe that if we collaborate with other ethically and sustainably driven organisations is key to creating transparency and you will create stronger outcomes for everyone.

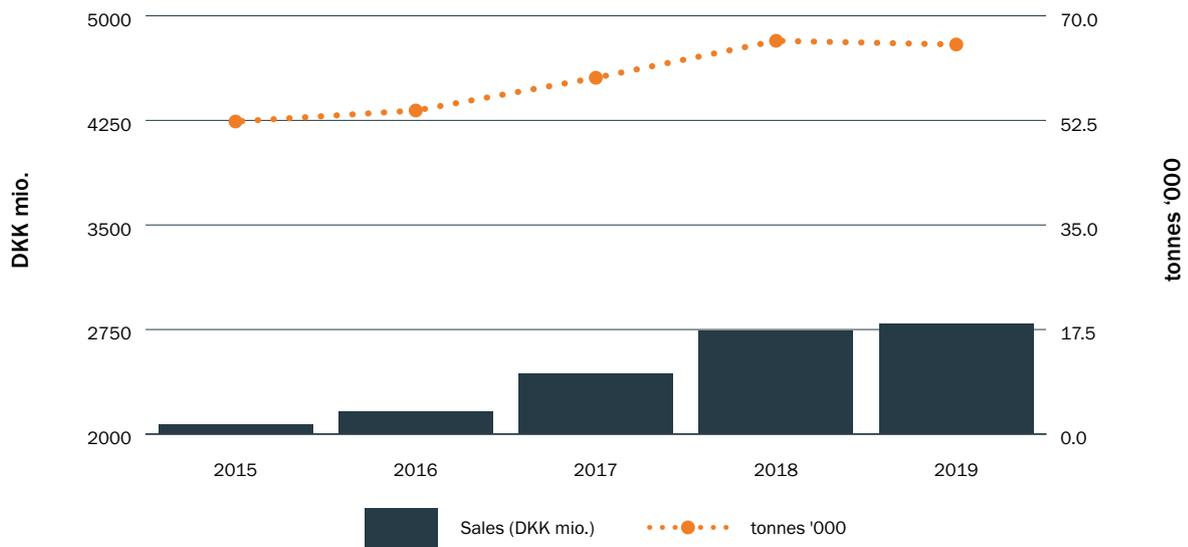
**The 6 dimensions of governance indicators identified by the World Bank**

<b>Voice and Accountability</b>	capturing perceptions of the extent to which a country's citizens are able to participate in selecting their government, as well as freedom of expression, freedom of association and a free media
<b>Voice and Accountability</b>	capturing perceptions of the likelihood that the government will be destabilized or overthrown by unconstitutional or violent means, including politically motivated violence and terrorism
<b>Government Effectiveness</b>	capturing perceptions of the quality of public services, the quality of the civil service and the degree of its independence from political pressures, the quality of policy formulation and implementation, and the credibility of the government's commitment to such policies
<b>Regulatory Quality</b>	capturing perceptions of the ability of the government to formulate and implement sound policies and regulations that permit and promote private sector development
<b>Rule of Law</b>	capturing perceptions of the extent to which agents have confidence in and abide by the rules of society and in particular the quality of contract enforcement, property rights, the police, the courts, as well as the likelihood of crime and violence
<b>Control of Corruption</b>	capturing perceptions of the extent to which public power is exercised for private gain, including both petty and grand forms of corruption, as well as 'capture' of the state by elites and private interests

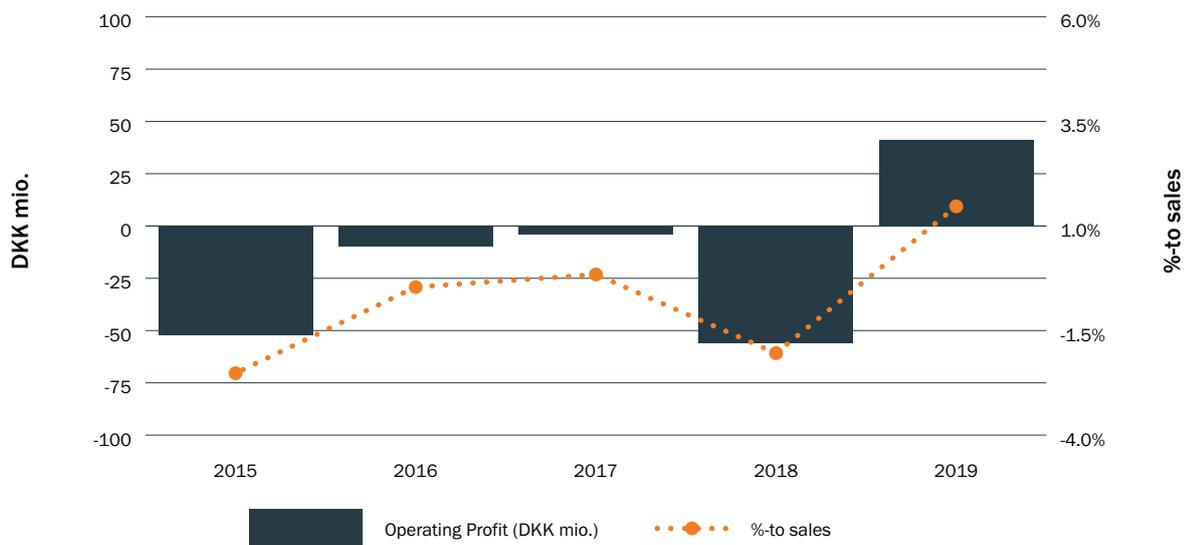
Source: <https://www.amfori.org/sites/default/files/amfori-2019-12-02-BSCI-countries-risk-classification-2020.pdf>.

# Financial Key Indicators

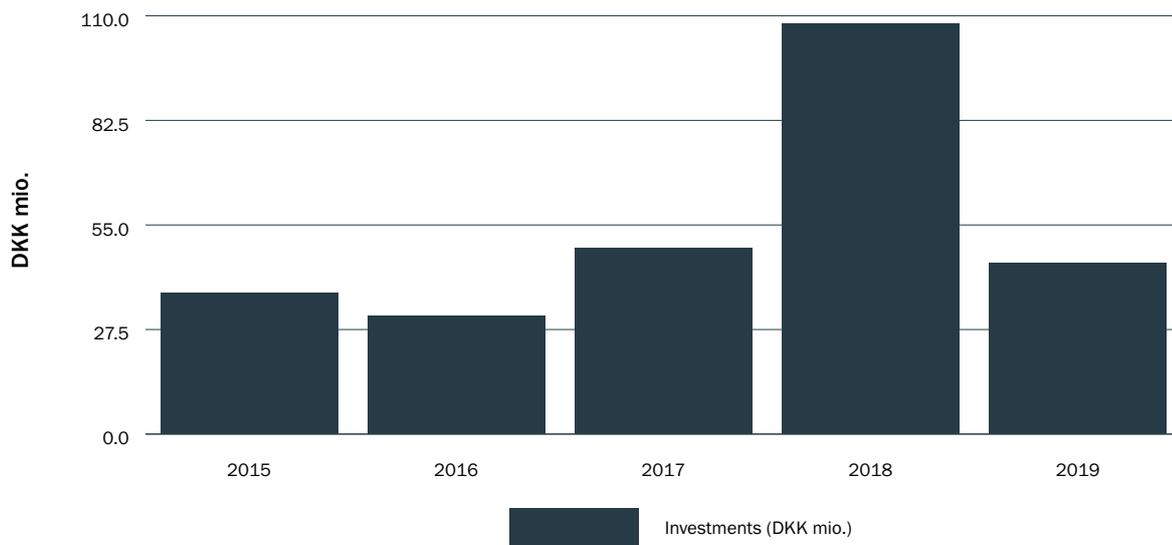
## Sales and volume



## Operating profit and sales



## Investments



## Policy reference

The following policies can be found on our website

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

- Whistleblower Policy
- Environmental Policy
- CSR Policy — Code of Conduct
- Health and Safety Policy
- Diversity Policy
- Ethical Trading Supplier Self-assessment

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

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