



Demonstrating Resilience

Sustainability Report 2020

Delicious
Seafood
with passion





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From the CEO

2020 is a year that none of us will forget, the impact of the Coronavirus pandemic has been huge and far reaching.

At Espersen we have proven we are a business which is able to adapt and change and we are extremely proud to have continued safe and effective production in all countries in 2020 whilst also landing new and substantial business. For example, in 2020 our factories in Poland and Lithuania expanded their operations, and nearly 200 brand new jobs were created due to increased demand for our delicious products. A great outcome for Espersen in times of turbulence and uncertainty for many people in the labour market.

How have we managed this? First and foremost, our focus has been on keeping our employees safe and we take our duty of care for their safety very seriously. We have implemented a clear strategy and governance structure across our entire global operation, which was adapted locally where necessary. We have also created strong collaborations with our customers, partners and relevant authorities throughout the year and this has been crucial to our success. And whilst all of these actions were crisis driven, our thinking has always been long-term, and our focus on planning and preparation for future challenges has stood us in good stead this year.

One important consequence of the Coronavirus pandemic has been the increased scrutiny on the sustainability of our food system. For consumers and the media, the pandemic has brought into focus our relationship with the food which we eat, and raised serious questions about whether our current food supply chains are fit for purpose to feed us safely and sustainably in the future.

This is an issue which Espersen has prioritized for a long time and we know it is more important than ever to have good answers to those questions. We are internationally recognized for our sustainable approach throughout the entire value chain and sustainability is deeply ingrained in our DNA. We are proud of the work we have done to date, but we also know that there is more to do, both in our own operations, and in driving change across our industry. That is why we continue to invest time and resource in this area, and why we will launch our new climate strategy in 2021. Ultimately sustainability and good business go hand in hand, because these actions are not only what we need to do, they are also what our customers and their consumers want us to do.

2020 has been a year of uncertainty. We know the uncertainty will continue into 2021 but Espersen is well placed to emerge stronger than ever when this is all behind us.

Klaus Nielsen

Espersen 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, Sweden, France, Lithuania, Poland, Russia, Germany, UK, Vietnam and Malaysia. In December 2020 we successfully merged our two Polish companies into one legal company now called Espersen Poland. We believe this is an important step in improving our alignment, efficiency, and competitiveness in our Polish operations. To maintain competitiveness we are constantly focused on improving our productivity and utilizing our scale to be cost efficient. Espersen 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, 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.

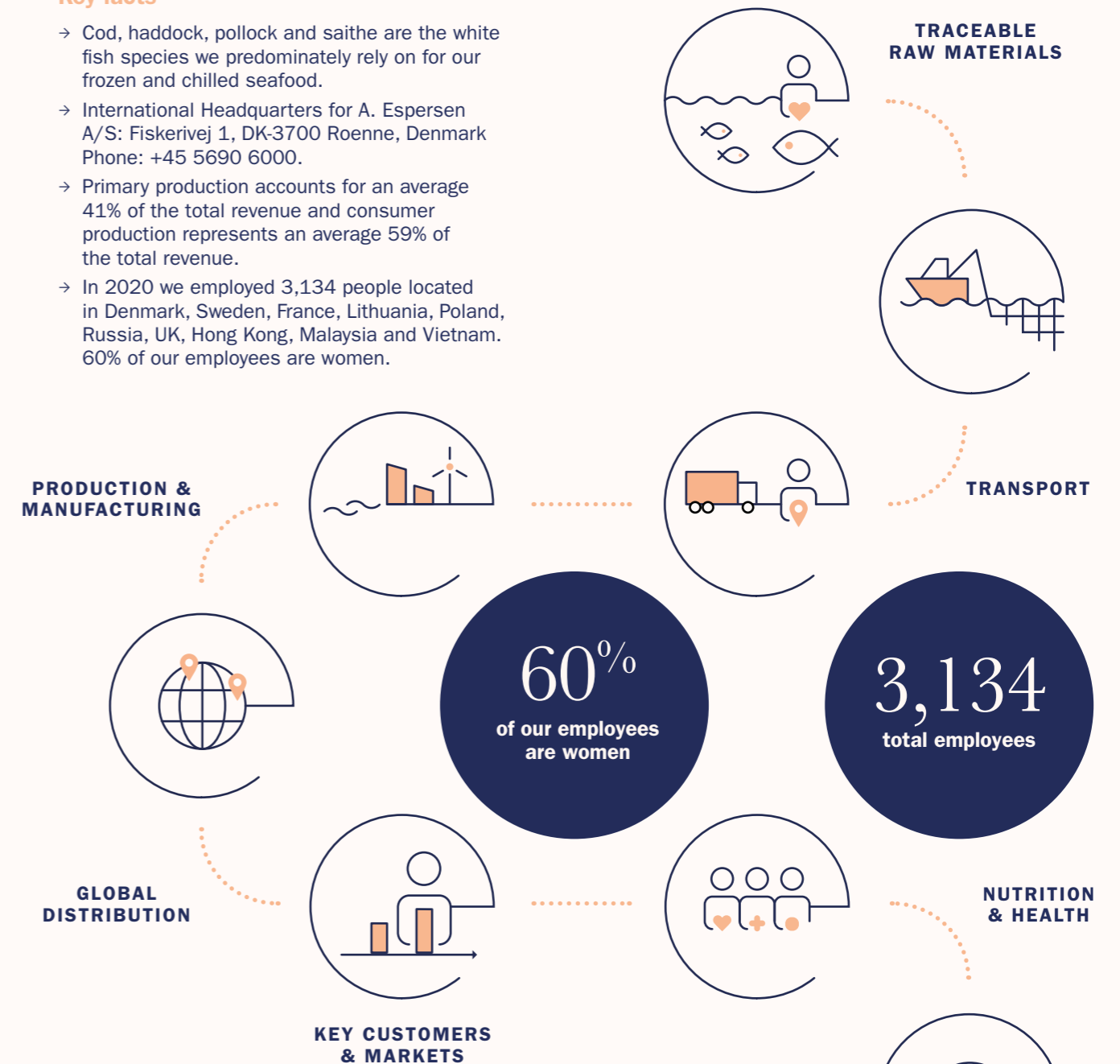
Winning culture and strong values:

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

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

Key facts

- Cod, haddock, pollock 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 41% of the total revenue and consumer production represents an average 59% of the total revenue.
- In 2020 we employed 3,134 people located in Denmark, Sweden, France, Lithuania, Poland, Russia, UK, Hong Kong, Malaysia and Vietnam. 60% of our employees are women.



Locations

Denmark: Roenne (International headquarter)
 Hasle (Office consumer division, consumer production)
 Fredericia (Office consumer division)
 Copenhagen (Management and administration)

Germany: Kiel, (Sales office)
Poland: Koszalin (Primary and consumer production, office, laboratory)
Lithuania: Klaipeda (Primary Production, office)
Russia: Novgorod (Consumer production, office)

Sweden: Stockholm (Sales office)
Vietnam: Ho Chi Minh City (Primary production)
Hong Kong: (Sales office)
France: Boulogne-sur-Mer (Sales office)
UK: Leeds (Sales office)
Malaysia: Kuala Lumpur (Sales office)

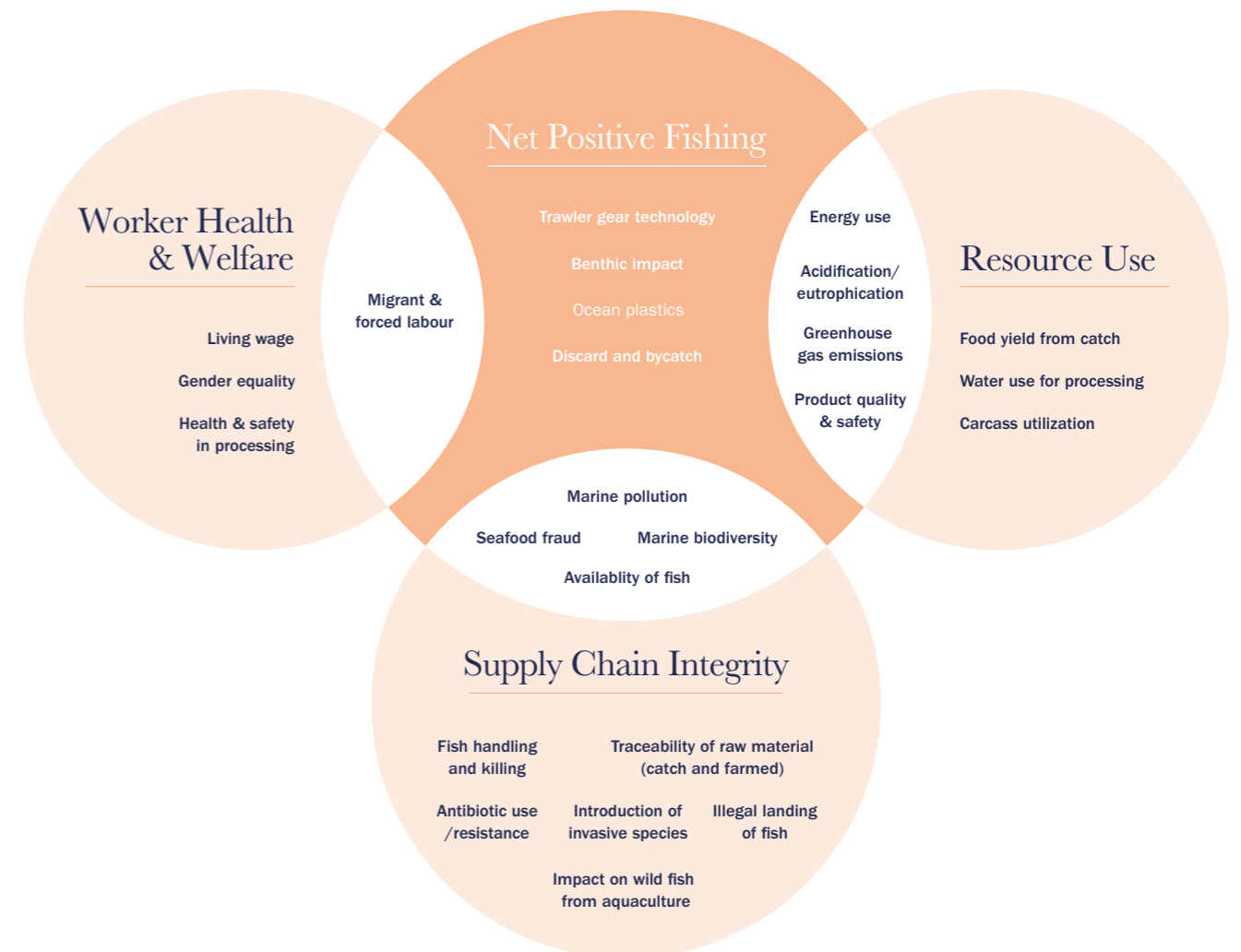


Materiality Analysis



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.





Espersen's Climate Strategy



Max Sørensen
Chief Operating Officer

Climate Change is the biggest environmental issue of our time, affecting our customers, employees, and everything from our supply chain to the communities around the world in which we operate.

The consequences of Climate 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 species such as Atlantic cod are moving into new areas, while others e.g polar cod will abandon their current locations.

In the coming years we will focus on understanding our footprint from “cradle-to-grave” and to update our climate strategy with new goals and commitments.

We will intensify our efforts to reduce both our direct and indirect climate impact, and include all parts of our value chain to reduce emissions in line with the level that researchers consider necessary. In the strategy Espersen will commit to becoming climate-neutral (net-zero emissions) by 2050, and our intention is to have this target validated by the Science Based Targets initiative.

For the last 3 years we have reported our emissions to CDP. In 2019 our scope 1 & 2 emissions were 27,273 MT and our score D.

To achieve this bold target, we will initially focus on Scope 1 and 2 emissions (emissions from our owned and controlled operations, as well as emissions from the generation of our purchased energy).

In the years to come, we expect to see significant progress in the development of environmentally friendly energy sources as well as processing technology. To be climate neutral by the end of 2050, we need to source from or invest in renewable energy technology. This will be an integral part of our annual budget planning process, and from 2021 the percentage of our annual renewable energy consumption will be part of our annual sustainability reporting.

It is also our intention to introduce reduction targets in our Scope 3 emissions (all other indirect emissions, including those in our supply chain). In 2021 we will start by beginning to measure our Scope 3 impact. To do this we will use a systematic approach, starting with rolling out a procedure for collecting the necessary data in phases. Our focus will be on purchased goods, especially fish, and the logistics involved in transporting that fish (e.g. transport from fishing vessels to our production sites). We also intend to pilot measuring fuel consumption data on vessels. Once we have the data collections systems in place, we will be in a position to set ourselves a valid and meaningful Scope 3 reduction target.

Successfully tackling the climate crisis will require our industry, and all those who rely on the oceans, to collaborate. By introducing our new and ambitious Climate Strategy, I believe that Espersen can lead the way in creating the change that is necessary in our industry.

Life cycle assessment for a better overall view

In order to assess the total climate impact of our products, a method called Life Cycle Analysis (LCA) can be deployed to evaluate steps in each products' life cycle. International standards govern how LCAs are conducted and reported, ensuring the process is robust.

Using the LCA method, all steps in the production of seafood are mapped. For the inventory step, material and energy flows are assessed, including energy, resource use and emissions during fishing, harvesting, storage, processing, transport, cooling, packaging, wholesale and consumption. The next step reviews the environmental impacts of all materials and energy use. Finally, the results of the lifecycle inventory and impact assessment are collated and interpreted.

Environmental impacts

LCA studies confirm that the fishing stage represents the most significant environmental cost in wild-caught fish operations, but energy consumption and emissions of anti-fouling agents at the fishing or harvesting stage also contribute.

After landing, fish processing, transport, cooling and packaging (especially for highly processed seafood products) offer opportunities to mitigate environmental impacts, for example by reducing energy consumption and use of certain materials, prioritizing transport by train and boat, handling waste responsibly and reducing wastewater emissions.

Minimising product losses throughout the whole production chain is vital for reducing food waste — a solution that holds the greatest potential for reducing carbon emissions globally.

Our approach

Espersen is committed to addressing our climate impacts, using valuable tools such as LCA to gain new insights in to the impacts of specific activities in our supply chain and guide our mitigation strategy. We understand that the first steps in implementing more sustainable practices are understanding and measuring our current practices, then directing efforts towards changes that will deliver the greatest benefit for people, animals and our shared environment.

Max Sørensen
Chief Operating Officer

Our Sea, Our Fish, Our Food

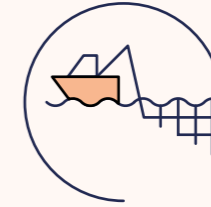
Food systems are integral to the health of people and the sustainability of the planet. Sustainability is about being fit for the future, which means being ready to adapt your approach and efforts. Developing inclusive, sustainable, efficient, nutritious and healthy food systems is essential to achieve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

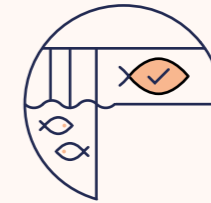


Focus & Goals



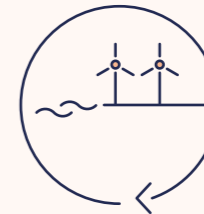
Net Positive Fishing

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



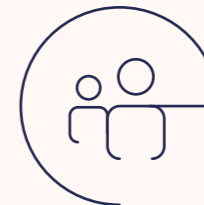
Supply Chain Integrity

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%



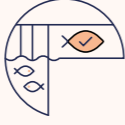









traceability back to source

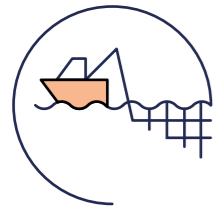
92.6%

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

77%

of all sourced fish is used for human consumption

Focus Area	SDG Goal	Espersen Goal	Objective	Reported Results (update)
Net Positive Fishing 	 Goal 14: Life below water Conserve and sustainably use the oceans, seas and marine resources. Target 14.2: Sustainably manage and protect marine and coastal ecosystems. Target 14.4: Effectively regulate harvesting and end overfishing, illegal, unreported and unregulated fishing and destructive fishing practices and implement science-based management plans, in order to restore fish stocks in the shortest time feasible. Target 14.C: Enhance the conservation and sustainable use of the oceans and their resources.	Conserve and sustainably use the oceans, seas and marine resources as a vital source of healthy and affordable food.	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.	→ Continuously looking for new partners well placed to take this work forward. → 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. → Founding member of GSSI.
	Supply Chain Integrity 	 Goal 2: Zero hunger End hunger, achieve food security and improved nutrition and promote sustainable agriculture Target 2.4: By 2030, ensure sustainable food production systems.  Goal 8: Decent work and economic growth Promote inclusive and sustainable economic growth, employment and decent work for all. Target 8.7: Take immediate and effective measures to eradicate forced labour, end modern slavery and human trafficking.	Secure traceable supply of 'delicious seafood with passion' from viable fish stocks and best practice aquaculture.	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.
Resource Use 	 Goal 13: Climate action Take urgent action to combat climate change and its impacts.	Use resources responsibly with the aim to decouple waste, water and energy use from our production footprint.	Cap greenhouse gas emissions at 2011 level within the Espersen group.	→ CO ₂ emissions in total decreased versus 2019. CO ₂ equivalent kg emissions decreased by 16% and per kg of product by 14%. → Began reporting to CDP in 2018 — current rating is D based on 2019 data.
	 Goal 8: Decent work and economic growth Target 8.4: Decouple economic growth from environmental degradation.		Decouple energy use from kg of product produced.	→ Achieved. In 2020 overall energy use fell by 2.1% compared to 2019.
	 Goal 12: Responsible consumption and production Ensure sustainable consumption and production patterns. Target 12.3: By 2030, halve per capita global food waste at the retail and consumer levels and reduce food losses along production and supply. Target 12.5: By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse.		Decouple water use from kg of product produced.	→ Not achieved. Water use increased by 43.3% in 2020 despite a decrease in production of 2%.
			No waste to landfill.	→ Not achieved. Compared to 2019 we have increased the volume of waste sent to landfill by 222 tonnes to a total of 537 tonnes. → Recycling of paper, cardboard, plastic, wood and metal decreased 9% — across the company to a total of 2,319 tonnes in 2020. → Plastic recycling decreased by 7%, from 436 tonnes in 2019 to 407 tonnes in 2020.
Worker Health & Welfare 	 Goal 8: Decent work and economic growth Target 8.8: Protect labour rights and promote safe and secure working environments for all workers.	Ensure all our employees recognize Espersen as a good and safe place to work, wherever we are in the world.	Maintain the Ethical Trading Initiative (ETI) as our baseline standard and to review it regularly for continuous improvement.	→ 100% of facilities are audited against the ETI Base Code using the SMETA methodology, or audited to customer specific higher standards. → Group-wide reporting and response procedure for Accidents in the Workplace (94 accidents in 2020 compared to 232 in 2019).
	 Goal 5: Gender equality Achieve gender equality and empower all women and girls. Target 5.5: Ensure women's full and effective participation and equal opportunities for leadership at all levels of decision-making.		Ensure at least 25% of appointed Board members are women by 2025.	→ One of the seven appointed Board members are women (14%). → Gender-based reporting for all levels of management across the Group. → At Director, Senior Manager and Manager level 43% are women (43 women out of 101 posts). → 60% of all employees are women (1,882 women out of 3,134 employees).



Net Positive Fishing

Goal:

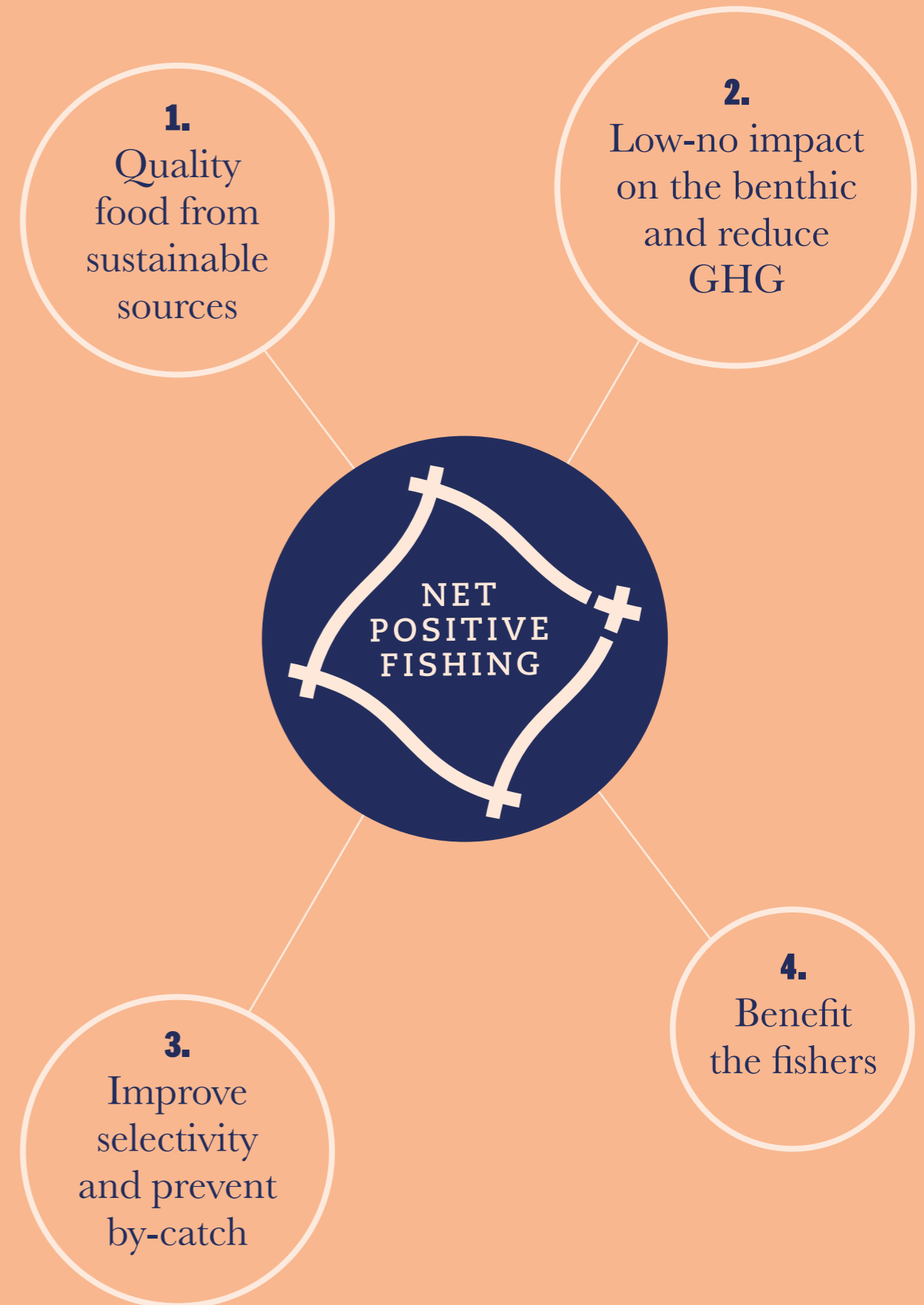
Conserve and sustainably use the oceans, seas and marine resources as a vital source of healthy and affordable food.

Objectives:

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

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 participate and support industry initiatives that promote sustainable development in fisheries and production of seafood.



In 2020 the temperature of the upper ocean hit a record high and the consequences of this change will be felt across the Earth. As well as the implications for the planet, at Espersen we also know that these changes will have immediate repercussions for our business. Simon Rilatt (Procurement Director) tells us what impacts he is seeing in fish stocks, and how Espersen are ensuring we respond to these changes in a responsible manner.

How has the rising sea temperature impacted Espersen?

The issue of measuring rising sea temperature is complicated by the fact that the impact appears to be different in different parts of the world, so it is important to specifically consider the species we source and origins they come from.

The majority of species we are buying, for example cod and pollock, are demersal fish who live on the bottom of the sea. It seems, at least in the short term, that these fish are being less affected by the rising temperature change than other species (e.g. tuna and other pelagic fish). There is also some evidence that whilst stock levels could fall significantly in the Tropics, fish stocks in the high latitude areas (where we catch the majority of our fish) may actually see a short-term increase.

So the picture is mixed, including some changes which may be beneficial for us in the short-term. But at Espersen, as a company committed to ensuring a sustainable future for fisheries, oceans and fishing communities, we are very aware of the bigger picture. These changes bring uncertainty, and we know that the short-term benefits could very well become challenges in the long-term. We can also see that the general warming in the seas where we fish is having an impact now. The most obvious evidence of that is the shrinking of the ice sheet in the Arctic, where the size and depth of the ice sheet are shrinking.

What was Espersen's response to the climate changes in the Arctic?

One impact of the shrinking ice sheet is that as the ice has retreated, more of the Barents Sea has been opened up for potential access to fishing boats. It also seems that increases in water temperature have caused fish stocks to move north, as they follow the ice sheet in search of cooler water and food.

Prompted by NGOs such as Greenpeace, Espersen led an industry wide response on how best to sustainably react to these changes. By bringing all of the key industry stakeholders together, and facilitating a discussion with those stakeholders, we were able to agree to not fish in the new more northerly areas which have opened up. The reason for doing this is to allow more time to understand what the impacts of fishing these new areas may be, and whether it is safe and sustainable to move in and fish these new areas in the future.

What impact has this project had?

In terms of our business, the short-term high levels of fish biomass in the areas where we can fish mean that this decision has not impacted us significantly. But what we don't know is if climate change is creating a situation where in the long-term the changes will be more significant. We do not have all the answers yet, but we are aware that in the future there may be a point where the fish do not return in the same abundance to the areas where they have historically lived.

The project has also impacted our work at a more strategic level. We have learnt that we need to spend time learning about the potential impacts of our behaviour before we make decisions to fish new areas. We are now careful to make decisions focused on the longer-term, even if those decisions are sometimes detrimental to our business in the short-term.

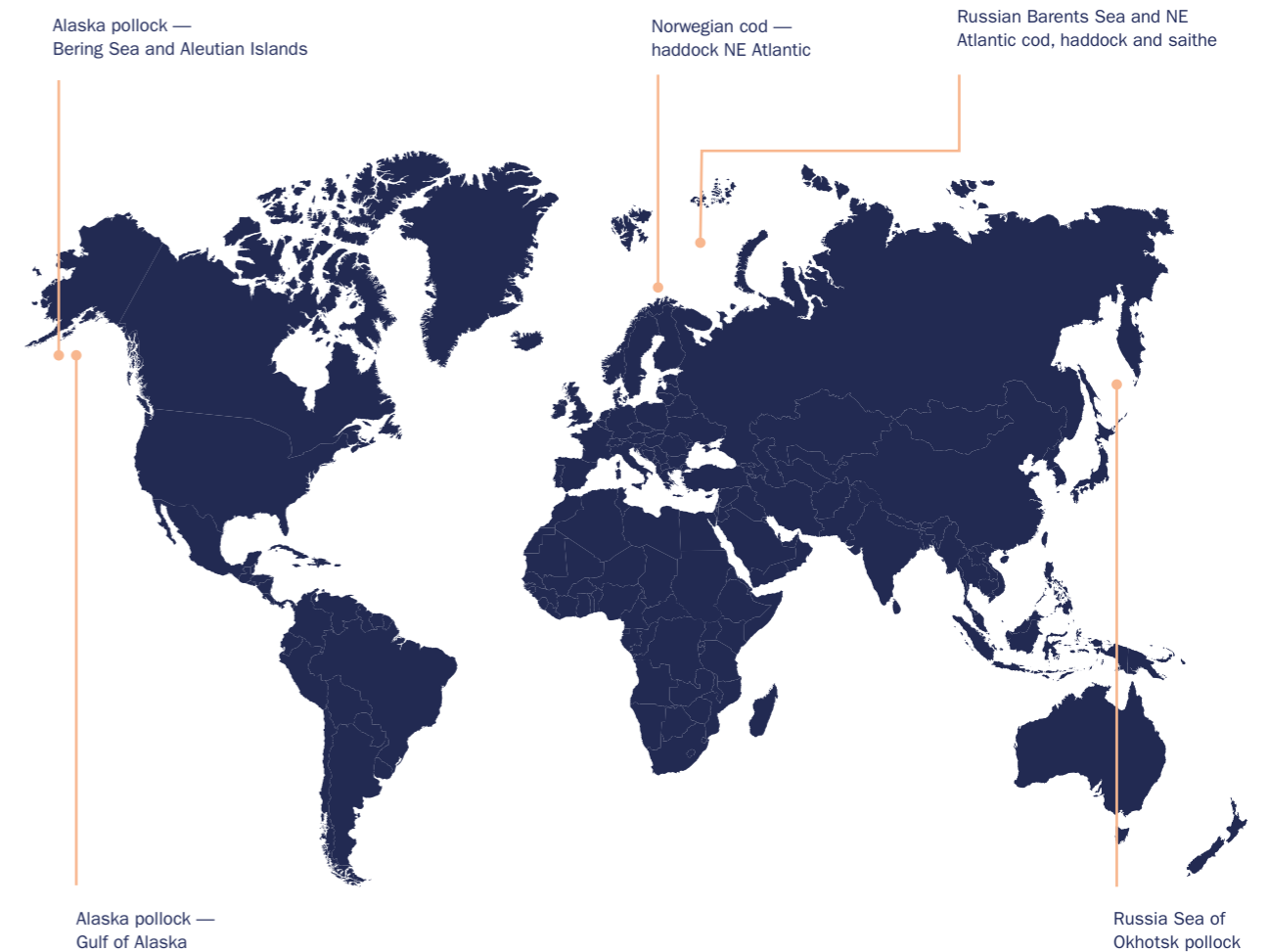
It was also important for us to be able to monitor if the agreement was actually being respected by the fishing boats. "We say what we do, and we do what we say" is a long-held value at Espersen. This led us to facilitate an agreement with the key stakeholders in the project to pay for satellite imagery to check that fishing boats are actually complying with the agreement. We are currently not aware of any incidents of any boats breaking the rules in the 3 years it has been running.

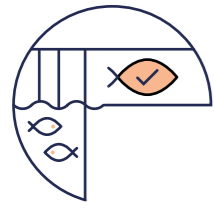
What will the project look like in 5 years' time?

At Espersen we believe that well managed fish stocks will play an important part in ensuring we can responsibly feed the population of the world in the future. To be able to do this we will continue to carefully monitor the situation in the areas from where we will source fish, and ensure we always consider the long-term consequences before making decisions on where to fish.

What we also know is that there is no "one size fits all" solution here. What works for us at Espersen may not work for our competitors and counterparts. Engaging with the industry and ensuring solutions are both robust, but also flexible enough to work for our industry, will be important.

Sourcing Origins





Supply Chain Integrity & Due Diligence

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.
 - 92.6% 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 2020 we had no incidents through our whistleblower system.

Continuously improving our quality culture

Espersen is currently investing in understanding and improving our business culture in food safety and quality across our business. In 2020 we embarked on this journey by carrying out a survey in our production sites and corporate office functions. 949 colleagues took part in the survey and we received responses from senior management, support functions and production staff. This means we now have a clear view of where we stand as a company, and in 2021 we can move to support our strengths and start working to improve the areas where we can improve by implementing site-specific action plans.

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. In 2020 we focused our efforts in this area by creating a new team within our Quality Management Department specifically tasked with monitoring our suppliers practices and capabilities.

Creating sustainable supply chains 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 involved in the chain before the raw materials reach one of our production sites. Within multi-tier supply chains, visibility and supply chain traceability is even more important.

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. All our production sites are MSC and, where relevant, ASC certified.

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 on quality, social compliance and environment.

This procedure is carried out for all of our suppliers for our raw materials, ingredients, packaging and contract manufacturers.

Over the years, we have built a base of strategic and 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 fulfil 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 supplier oversight system on a risk based approach, starting with assessing the country risk using a framework developed by Amfori BSCI (<https://www.amfori.org/>), and also factoring in product risk and quality factors too.

The Amfori BSCI 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.

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.

Prior to possible approval all potential suppliers must fill in a questionnaire for the specific production sites which will supply Espersen. The questionnaire relates product quality, social compliance and environment. In addition, we ask potential suppliers whether they are 3rd part certified in all or some of the areas mentioned above.

For suppliers with recognised 3rd party certified schemes as mentioned in the questionnaire, we request a copy of the certificate and their latest audit report. The report is thoroughly assessed 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 does not have relevant 3rd party certified schemes, we base the approval on the answers in the questionnaire supported by requested documentation. 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 Social Compliance and Environment and makes up the remaining 40%. In both sections, the questions are weighted differently depending on the severity we attach to the specific area. In some cases, the issue is weighted so highly, that it alone determines 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 questionnaire, the score must be above or equal to 50% out of 60% to be in scope for approval. A score between 30% and 50% will require additional information. The score for ethical questionnaire has to be equal or above 30% to be in scope for approval, a score between 20% and 30% will require additional information.

The questionnaire alone does not determine whether the supplier is approved or not, but is an indication of whether we want to proceed with the approval of the supplier. Based on the response to the questionnaire we use a risk based approach to determine if additional activities are necessary to finally approve the supplier.

For example, if the production site is located in a low risk country and fulfils 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 a second party audit is necessary.

If the site fulfils our expectations as described above, but is located in a high risk country, it will be visited within the first 6 months if that supplier is delivering a high-risk product (e.g. fish products or food contact packaging material). Suppliers delivering lower risk products are visited within the first 12 months.

In all cases, all deliveries from the suppliers are checked as part of our intake control. We record this data and use it as part of the ongoing monitoring of our suppliers. Once yearly all strategic, preferred, and new suppliers are evaluated regarding their performance. During our daily operations, supplier claims are handled immediately and necessary action taken.

If any of our approved suppliers do not supply products to Espersen for more than 2 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 suppliers are re-evaluated every third year, at which time we decide whether to re-approve or discontinue the supplier and review our oversight of the suppliers regarding monitoring and audit frequency.

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

To support our supplier management process, supplier documentation like questionnaires, certificates, audit reports and signed specifications are archived in one IT system (D4infont® – D4).

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

Social Responsibility

Social responsibility and compliance 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 a socially responsible manner that encompasses concerns about labour and human rights issues. This commitment is part of the company's history and culture, which permeates our entire management team. As well as applying to all of our employees, whether they work in Denmark, Germany, France, Sweden, Poland, Lithuania, Russia, Vietnam, UK, Malaysia, or Hong Kong, it is also part of our expectations for our suppliers as well.

As a member of SEDEX we require our suppliers to conduct third party social audits at site (using the SMETA methodology). We also have an internal process for conducting second party audits of our supplier processing sites. However, due to the Covid 19 pandemic these have been on hold in 2020 due to travel restrictions.

We are also aware of the need to begin reviewing social compliance on the boats which catch our fish. This creates a huge challenge for us, and the industry more broadly, but is something which needs to be prepared for, which is why Espersen has ensured that we are part of conversation to develop standards for fishing fleets across the industry.

Our Code of Conduct

We are committed to conducting business in an ethical manner, and use our Code Of Conduct to communicate our requirements both within our own business and to our suppliers. Our code outlines our requirements focused on three core areas:

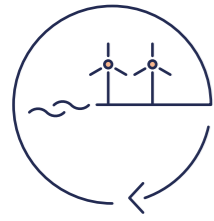
→ Human Rights: We conduct our operations with honesty, integrity, openness, respect and are committed to upholding the human rights of people as set out in The United Nations Universal Declaration of Human Rights.

→ Health and Safety: We are committed to providing a safe and healthy working environment for all employees.
 → Business Integrity: We comply with local laws of the countries where we operate, we have a zero-tolerance approach to bribery and conflict of interests and any forms of corruption, and we provide grievance mechanisms and whistle-blower protection.

The 6 dimensions of governance indicators identified by the World Bank	
Voice and Accountability	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
Voice and Accountability	Capturing perceptions of the likelihood that the government will be destabilized or overthrown by unconstitutional or violent means, including politically motivated violence and terrorism
Government Effectiveness	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
Regulatory Quality	Capturing perceptions of the ability of the government to formulate and implement sound policies and regulations that permit and promote private sector development
Rule of Law	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
Control of Corruption	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>.





Resource Use

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.

Parameters and calculation methods:

Production sites included in our resource use 2020 are Hasle, Denmark (1 site consumer production), Koszalin, Polen (1 site Primary and 2 sites consumer production), Klaipeda, Lithuania, (1 site Primary Production), Novgorod, Russia (1 site Consumer production), Ho Chi Minh City, Vietnam, (1 site Primary production).

The calculations of our greenhouse gas emissions have been performed according to Greenhouse Gas Protocol developed by the World Business Council For Sustainable Development and World Resources Institute (WBCSD / WRI). Greenhouse Gas Protocol is an internationally accepted standard which is considered to be the current best practice for corporate reporting and greenhouse gas emissions from organizations. Our climate footprint includes direct emissions from company-owned vehicles, purchased electricity and energy, indirect emissions in the form of business travel, water and waste.

What we are doing:

- As a Champion 12.3 member we are committed to halving our food waste by 2030. Our food waste increased from approx. 1,700 t in 2019 to approx. 1,950 t in 2020.
- CO₂ equivalent kg emission per kg of product decreased (14%) compared to 2019 (scope 1 & 2).
- Climate impact reported to CDP. Our current rating is D.
- Total energy use decreased by more than 855,560 kWh (-2%) vs 2019.
- Per kg of product electricity use increased by 21% to 0.639 kwh per kg product. We had to continue to run all of our cold storage facilities even when factories were shut due to the pandemic.
- Total water use increased by 43% to just over 890,000m³. This is predominantly because we have had to introduce additional cleaning procedures in response to the Coronavirus pandemic. As a result water use per kg of product increased by 47% in 2020.
- We sent 537MT of waste to landfill out of a total waste volume of 2,489MT.
- 12% increase in the amount of paper and cardboard we sent for recycling.
- Amount of paper, cardboard, plastic, wood and metal sent to recycling saw an overall decrease of 9% compared to 2019 (2319 MT) due to a drop in recycled metal and wood. Amount of paper, cardboard and plastic sent to recycling increased by 7%.
- We used 81% of purchased foodstuffs for human consumption. In 2019 we used 83%.

Case studies

Using resources responsibly is an issue which every member of the Espersen team takes seriously. In 2020 we carried out numerous initiatives to make sure that as a business we minimise our impact on the planet. The below is a small selection of some of the projects we have carried out in 2020.

New Ventilation System Delivers Sustainability Benefits

A new and efficient ventilation system installed at our Hasle processing facility in summer 2020 is already proving a worthwhile investment in terms of cost savings and environmental benefits. As part of our sustainability strategy, Espersen is committed to identifying opportunities for cost and energy savings in all areas of our operations, from fishing to delivering products to our customers.

Optimal air temperatures in our processing plants are essential for ensuring product quality, and comfortable and safe working conditions. The new system uses a ventilation heat exchanger to recapture heat from the plant's exhaust air and uses this heat to pre-warm the incoming fresh air, and vice versa in the summer. This yields significant savings in both heating and cooling the facility.

“We're already seeing the value of replacing the old system with new technology,” said Stig Nielsen, Factory Manager. “Our electricity consumption for ventilation at the site reduced by 72% in December compared to the previous year, and heat consumption dropped by 24% in November.

“These sorts of modifications are a win-win for us – they deliver environmental benefits, and make clear business sense that affect our bottom line”, he added.

Ib Hansen and Peter Sandberg in front of the new ventilation system at Hasle



New Water Infrastructure at Barents Sea

Our ocean resources are precious, so at Espersen, we work hard to harvest the right fish in sustainable quantities, and process them carefully to ensure high quality products and reduce waste.

Reports from one of our plants, Barents Sea, suggested a water quality issue arising from the use of warm water buckets by our employees for washing hands and instruments.

A core project team of Grzegorz Kołodziej, Marcin Musiał and Mariusz Bakowicz was set up to address this problem. Over the course of three months, the water buckets were replaced by taps at each of the 250 processing stations, providing each employee with constant access to a fresh water supply. Monitoring the impacts of this change, we saw a dramatic reduction in cell counts across a number of bacterial species, a reduction in water use by 28%, and cost savings of 39%, due to installation of the taps.

“We owe the success of this project to our entire team at Barents Sea, who were involved from start to finish”, said Paweł Dworakowski, Plant Manager. “This relatively small change has delivered multiple benefits for us: It has cleaned up our water quality, bringing improvement to our products. It has reduced chemical and water use, with environmental and cost savings. And, crucially, it has reduced the time and effort our team members spend managing water supplies and washing per shift. These sorts of changes make a real difference to our workforce”, he added.



A water tap installed at Barents Sea

20 Tonnes of Shrink Film Saved

This year we set out to significantly reduce our plastic use, and started by addressing the 72 tonnes of shrink film used for pallets every year.

“We invited suppliers of shrink film to the North Sea and Pacific factories to help us find ways to save on the use of shrink film. It was great to see the curiosity, engagement and cooperation of the teams”, said Category Manager for Packaging, Kristian Thøgersen.

With one supplier covering all sites, we were able to engage our supply chain and employees to find solutions to optimise product protection whilst reducing packaging use. As a result, we reduced shrink film plastic use by 20 tonnes, improved product protection and generated significant savings.

“Plastic pollution in our environment, including the ocean, and the use of fossil fuels to derive these resources, are important issues to us and our customers”, continued Kristian Thøgersen. “We see it as our responsibility as a business to reduce our reliance on plastics, for a cleaner and safer environment”.



Reducing Food Waste

In 2017 we made a commitment to reduce food waste in our own operations by 50% by 2030.

As a member of the Champions 12.3 coalition, Espersen has also committed to lead by example to reduce food waste by quantifying and monitoring our food loss and waste and pursuing strategies to reduce it.

Perhaps even more importantly, we are also committed to reporting our food waste which will help us improve transparency about how we are doing in reaching our goals and delivering our strategy.

A key measure of our success is how much of the raw materials we purchase are sold as food. In 2020, 81% of all purchased raw materials were used for human consumption (products sold).

Recording the type and amount of waste is crucial to success. This data allows us to make company wide and factory specific action plans on how to reduce waste across our sites. But successful implementation of these plans relies on employee awareness and engagement, seeing the value of our raw materials — from the fish we source, to the spices, breadcrumbs and other ingredients. Therefore, action plans and results are shared across sites.

Of the 16,846 tonnes of foodstuff not used for human consumption, 88.4% was sold as by-product for animal feed. This is an increase of nearly 4% compared to 2019.

The remaining 11.6% or 1,952 tonnes, is our food waste in 2020. This has increased from 1,700 tonnes of food waste in 2019.

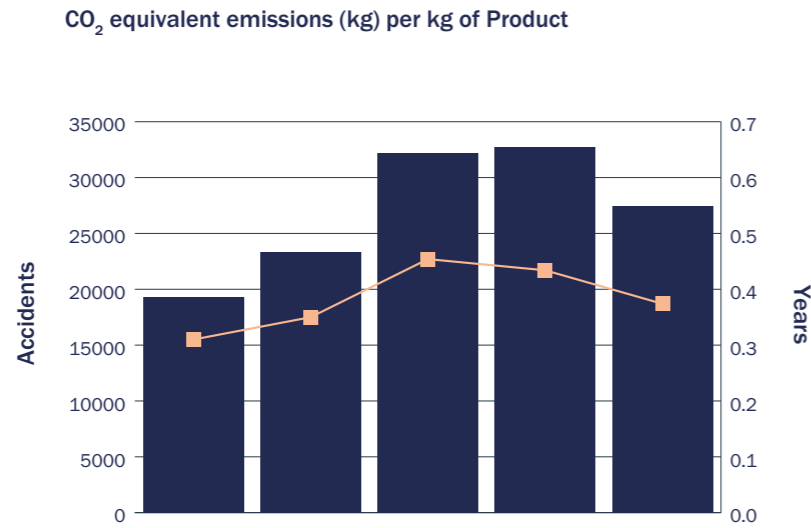
The reason why we see this increase in food waste this year, is the change in destination from animal feed to energy production, as our food waste is now mainly used to produce biogas through controlled combustion. This is done to support development of biogas as a replacement for energy based on coal and thereby reduce our CO₂ footprint from our plants in Poland.

In the year to come, we will continue our focus on maximizing use of raw materials for human consumption. In addition, we will review management of food not used for human consumption to maximize environmental benefit; starting with focus on sites with highest wasting volume.

Results

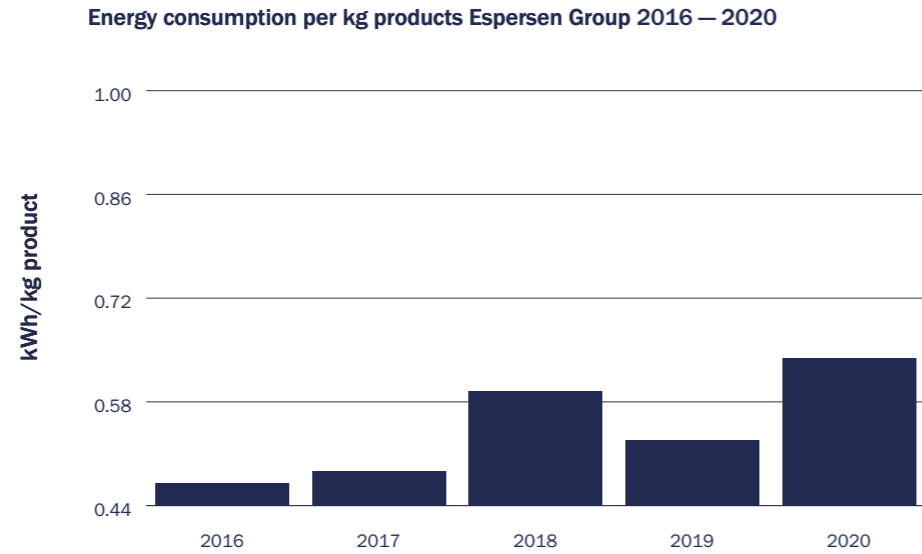
CO₂ equivalent emissions (kg) per kg of Product

CO₂ equivalent kg emission per kg of product for scope 1 and 2 decreased 13% compared to 2019.



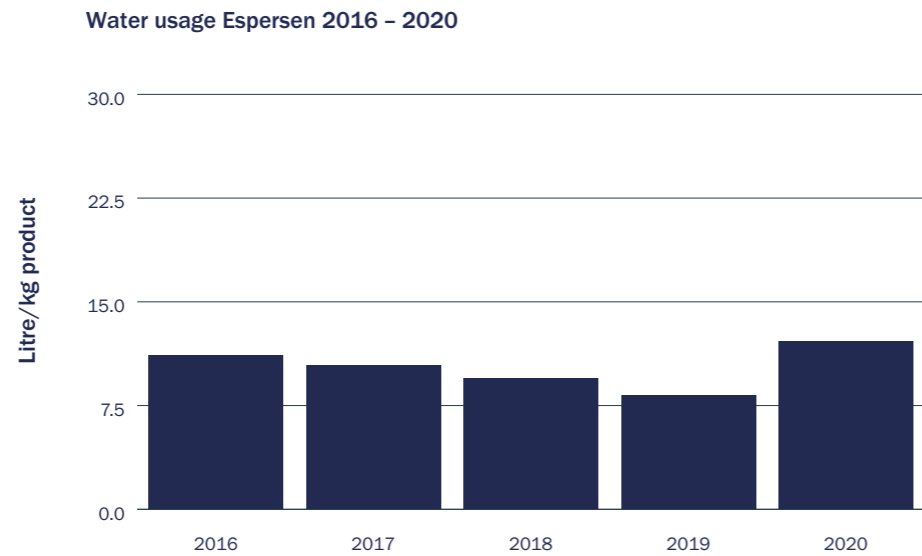
Energy usage (kWh) per kg product

Total energy use decreased by more than 855,560kWh in 2020 (-2% vs 2019). As a result of changes to production procedures in response to the Coronavirus pandemic, energy consumption per kg of product produced rose versus 2019.



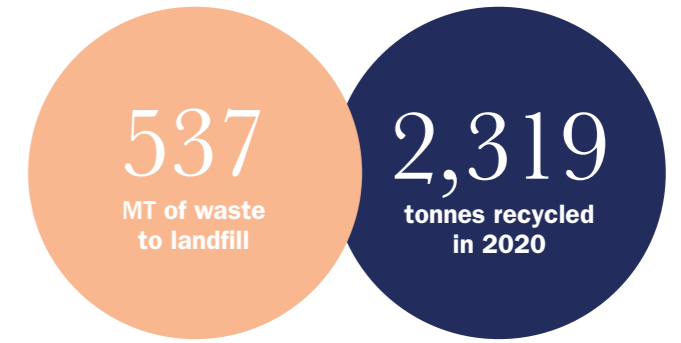
Water usage (m³) per kg product

Total water use increased by 43% in 2020. This is predominantly because we have had to introduce additional cleaning procedures in response to the Coronavirus pandemic. As a result water use per kg of product also rose in 2020 (+47%).



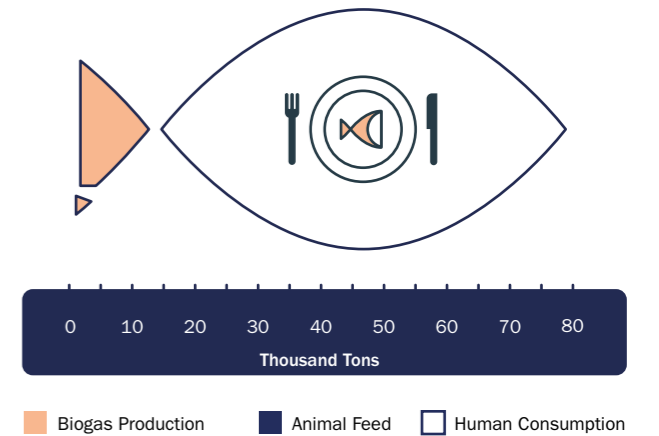
Waste to landfill and recycling

We sent 537MT of waste to landfill out of a total waste volume of 2,489MT. This represented a significant increase on 2019. The amount of materials sent for recycling saw an overall decrease of 9% compared to 2019 due to a drop in recycled metal and wood. The amount of paper, cardboard and plastic sent to recycling increased by 7%.



Carcass utilisation and food waste

77% of the foodstuffs (mainly fish) we bought was used for human consumption (up from 74% in 2019).





Worker Health & Welfare

One of the main challenges we have faced in 2020 has been how to protect our employees during the Coronavirus pandemic. As a business we take our duty of care for our employees' safety very seriously, and our number one objective is to take care of all our people.

This was particularly important as it became apparent that the risk of experiencing a coronavirus outbreak in a food processing plant was especially high, as major reported outbreaks in several countries demonstrated.

In order to ensure our employees remained safe during the pandemic we implemented a central strategy and governance structure across our entire global operation. This strategy communicated our overall business approach to responding to the virus, including requirements about coronavirus risk assessments, social distancing, increased cleaning protocols, and extra Personal Protective Equipment. We were also very careful to ensure the new strategy was communicated effectively and clearly to all employees.

As well as our central strategy, it was also important for each facility to adapt to their own local context. Across our business there are numerous examples of this happening, for example in one of our sites in Poland, our team has responded very well to the new measures and it is clear that everybody understood the situation and acted responsibly. Because of this, we were very fortunate that none of our employees were infected by COVID-19 in 2020, and we were able to run an almost normal production throughout the year.

Another example is in our plant in Lithuania, where we responded to local requirements by ensuring that masks were mandatory for all of our employees



Goal:

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

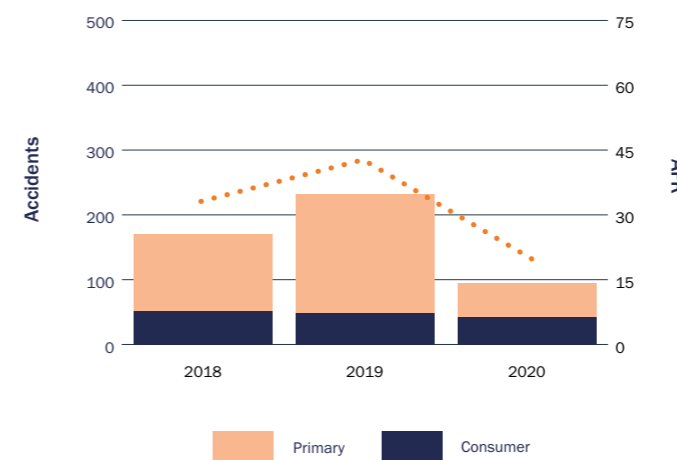
Objectives:

- 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 2025.
- 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:

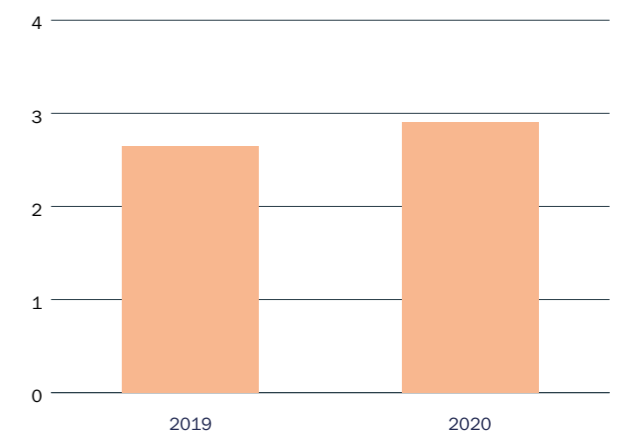
- Continue to achieve ETI Base Code certification or auditing to customer specific higher standards in 100% of our facilities.
- Group-wide reporting and response procedure for accidents in the workplace.
- Reduced number of accidents — learning from each other within the business. More focus on “near accidents”, and more detailed reporting to be more proactive across the whole company. Focus on culture to ensure every employee is confident to report accidents.
- 94 accidents in 2020 (232 accidents in 2019). This corresponds to an Accident Frequency Rate at 19.0 in 2020, compared to 42.4 in 2019 and a Lost time Injury Frequency Rate at 2.9 in 2020, compared to 2.7 in 2019. In summary, we experienced fewer accidents, but the accidents we did experience caused more absence.
- Gender-based reporting for all levels of management across the company.
- One of the seven appointed board members are women (14%).
- At Director, Senior Manager and Manager level 43% are women (43 women out of 101 posts) and 60% of all employees are women (1,882 women out of 3,134 employees).

Work Related Accidents 2018 – 2020



Definition: An event that results in injury or ill health to an employee whilst at work. Causing at least one day of absence from work

Lost Time Injury Frequency Rate 2019 – 2020

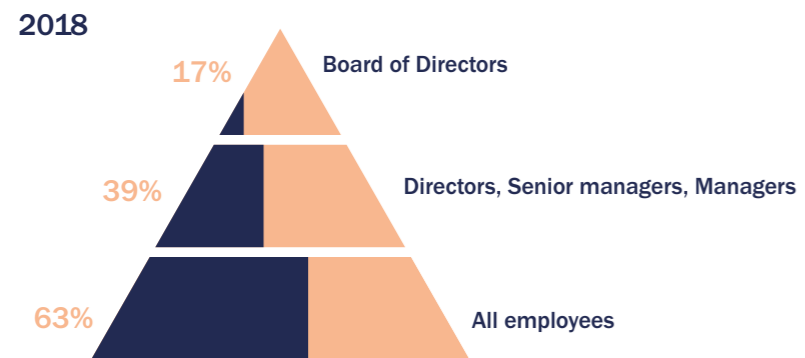
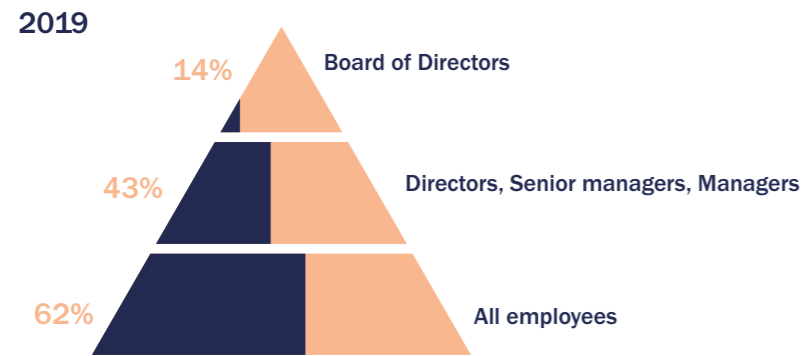
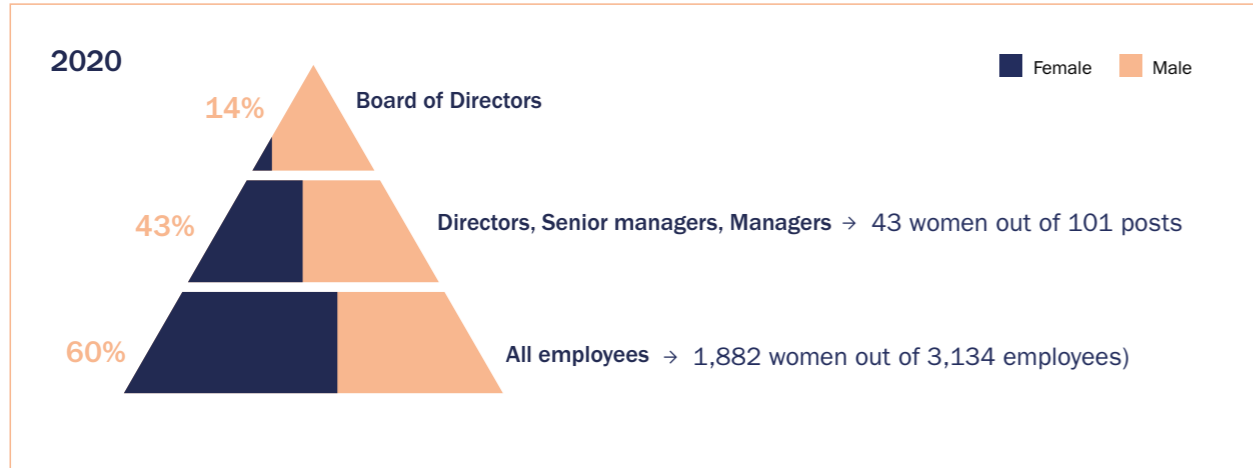


Definition: Number of lost time injuries in 2020 x 1000 / total hours worked in 2020

Group-wide gender reporting

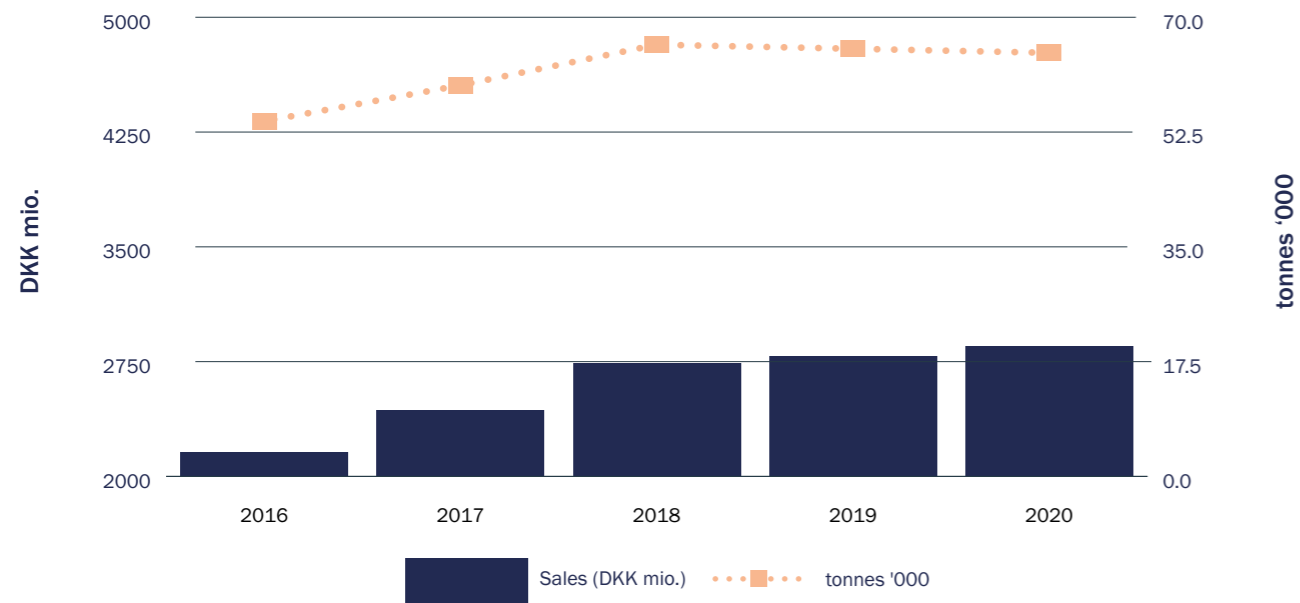
At Espersen we believe diversity is important. We ensure that the profiles of our board members and our managers have the necessary range of perspectives, experience and expertise required to achieve effective stewardship and management. Our ambition is that our board will become more diverse — we are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

In 2020 one new female member was substituted and one new male Board member was elected for the Board of Directors. The candidate was elected due to his specific capabilities and knowledge. Due to the elected member being male, the target figure was not reached in 2020.

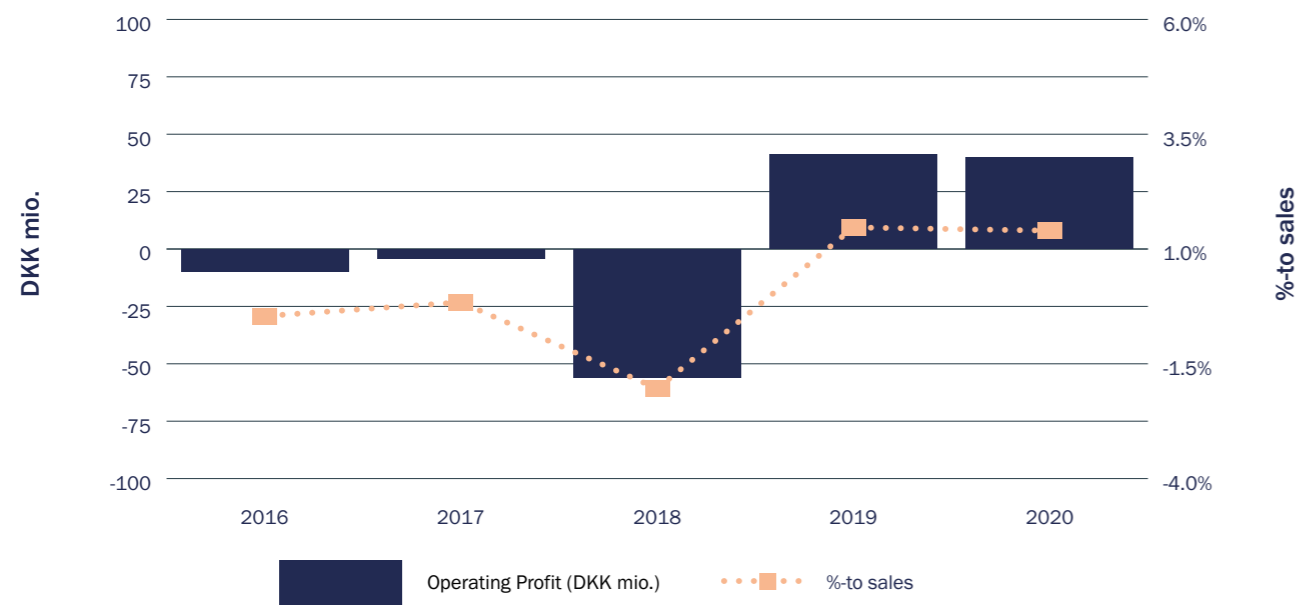


Financial Key Indicators

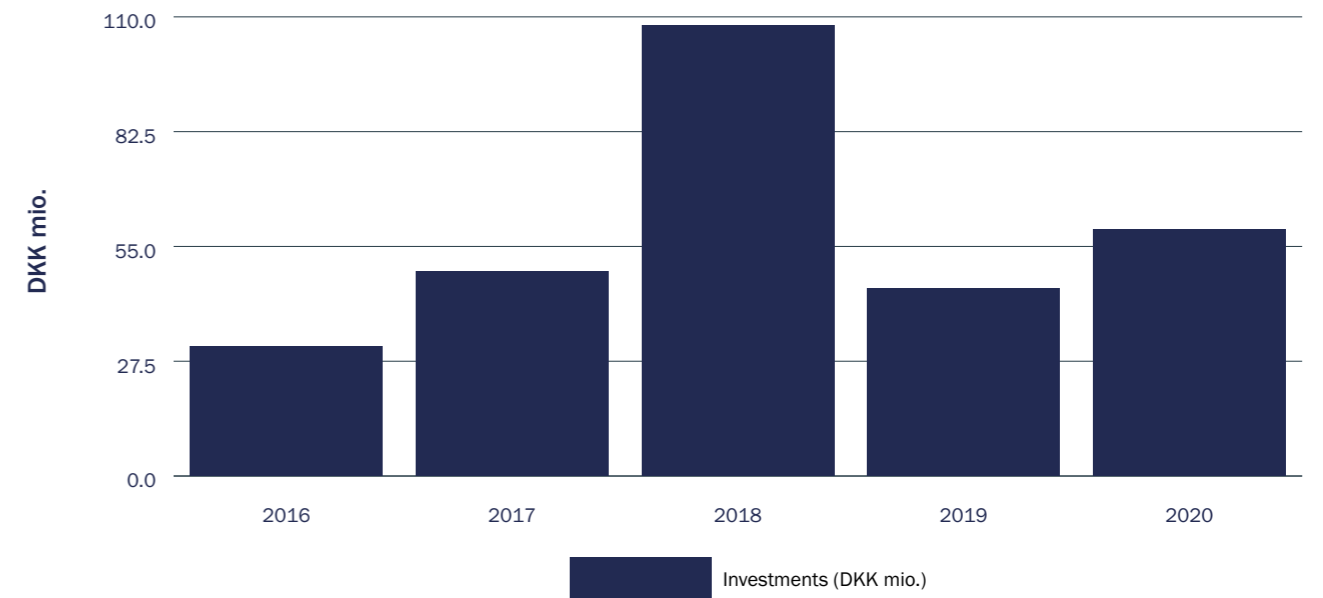
Sales and volume



Operating profit and sales



Investments



Policy and reference documents

The following policies can be found on our website

www.espersen.com/commitment/policies

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

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