



PINDSTRUP

**Corporate Social
Responsibility Report
for
Pindstrup Mosebrug A/S
2022/2023**

Statutory Statement of CSR
March 2024

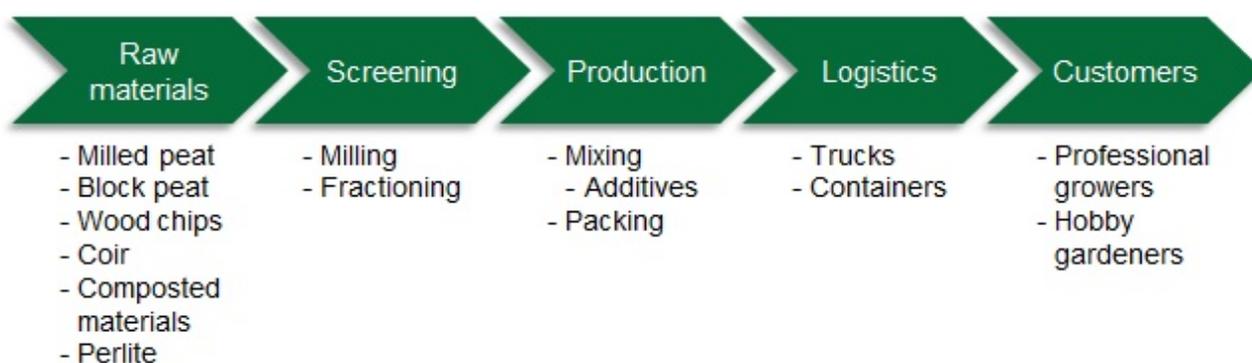
Corporate Social Responsibility Report for Pindstrup Mosebrug A/S 2022/2023

This is the statutory Corporate Social Responsibility (CSR) Report, pursuant to sections 99a and 99b of the Danish Financial Statements Act. The report is a supplement to the Annual Report for Pindstrup Mosebrug A/S, covering the 2022/2023 financial year.

About the company

Pindstrup Mosebrug A/S is one of the world's leading producers of high-quality substrates for professional growers as well as private gardeners. The head office is in Denmark, and Pindstrup has production sites in five countries, and sales offices, consultants, and customers in many countries across the globe. We operate at both business-to-business and business-to-consumer markets.

Business model



Important events and comments on the past financial year

CSR activities

Last year, Pindstrup embarked on a journey, transitioning into a greener global company as part of our strategy plan. However, due to changes in Group Executive Management in early 2023 and the appointment of a new CEO, the completion and implementation of the plan was delayed. In the past months, management has worked on revising the strategy plan for 2028, “*Grow the Future*”, and we have recently initiated a process to define the purpose and identity of the Pindstrup Group. An important part of both of these processes is our commitment to bringing the ESG agenda to a new level, in our mindset as well as in our organisation.

We aim to achieve this by including three strategic goals in the “*Grow the Future*” plan that spring directly from the ESG agenda: goals to increase the share of peat alternatives in our products to 40%, to reduce our CO₂ emissions, and to achieve a high score on employee satisfaction. Similarly, we have defined a number of must-win battles, which include focus areas such as increased product development leading to a wider product portfolio with more alternative raw materials, ESG as a means of differentiation, and employee development as a tool to attract and retain skilled and dedicated employees.

Due to our size, Pindstrup will report in accordance with the EU CSR Directive as from 2025. To organise materiality assessments, data collection and reporting, a working group was formed in

early 2023, representing different functions in the Group. Recently, a Global Sustainability Manager was appointed, which further strengthens our approach to ESG and underlines our firm belief that ESG is not a reporting exercise but at platform for future development.

We continue our work with the UN Sustainable Development Goals, CSR and Health and Safety over the coming years with an ongoing focus on balancing the three bottom lines of people, planet, and profit. The Sustainable Development Goals that we have defined as being relevant to our business are: Goal 2 on Zero Hunger, Goal 12 on Responsible Consumption and Production, and Goal 15 on Life on Land.



Changes to operations

Activities in Russia

In the summer of 2022, Pindstrup entered into a legally binding agreement regarding the sale of the companies in Russia but has not been able to complete the sale, first due to EU sanctions and afterwards due to Russian rules and practices. Pindstrup has subsequently entered into an agreement with the buyers, in which Pindstrup as capital owner waives all managerial rights and all financial rights to the companies. Therefore, Pindstrup is no longer active in Russia. It is still Pindstrup's intention to complete the sale of the Russian shares as soon as this is possible. For that reason, the activities in Russia are not included in this CSR report.

Integration of Carolina Soil

In 2021 we acquired Carolina Soil in Brazil, enabling us to establish a greater presence in South America, which supports our expansion efforts as well as our ambition to secure stronger local supply and supply chain set-up. During the financial year 2022/2023, Carolina Soil has been further integrated into the Pindstrup Group, its management is represented in our Global Management Team, and many colleagues are involved in cross-group teams.

Increasing the production of wood fibre

We are currently expanding our wood fibre capacity by enlarging an existing plant and adding two new in strategically important locations. This is a very concrete step that supports our ambition of transitioning into a greener company as it will allow us to significantly increase the share of peat alternatives in our substrates. The plants will partly run on renewable energy, e.g. from solar panels on the roofs of the plants, which will reduce our CO₂ footprint.

Risks and action in 2022/2023

The table below presents an overview of identified main risks for the company, impact, and action related to each of the policy¹ areas covered by this report.

	Risk	Action
Human Rights	With an international presence and production sites in several different countries, non-compliance with human rights and labour standards is a risk.	A policy on human rights has been developed, and we have a strong, ongoing focus on ethical management at our own production sites and in ongoing dialogue with suppliers.
Social and Employee Terms	The safety of our employees is a critical issue, particularly as we use heavy equipment and heavy transport in our production sites.	At management level and across locations, safety is a priority and a strong focus area. We continue our work to create a safer work environment, e.g. through traffic management in our global production sites and ongoing knowledge sharing on preventive actions and safety awareness across the entire Group.
Environment and Climate	With own production and sourcing of raw materials and application of new types of materials, negative environmental impact is a risk.	We work systematically to reduce our environmental footprint. We work on re-establishing bogs and on energy efficiency across locations. We roll out the application of alternatives to peat and work with Life Cycle Assessments to evaluate progress.
Anti-Corruption and Bribery	The risk of bribery and the reinforcement of anti-corruption legislation requires an ongoing focus on compliance, especially in high-risk countries as identified by the Transparency Corruption Index.	A policy on anti-corruption has been developed, and we continue our commitment to do business with a strong ethical mindset in accordance with our values and current policies.

¹ Cf. The Danish Financial Statements Act §99a.

Policies

Human Rights

Policy

Pindstrup supports and respects internationally acknowledged human rights across the company. We accept the responsibility we have towards our employees and the communities in which we operate, and we expect the same from suppliers.

In Pindstrup, we

- support and respect international agreements regarding human rights
- do not accept forced labour and/or child labour
- respect our employees' free choice of union and their right to take part in collective bargaining
- meet current, local standards regarding work hours across the Group
- comply with the laws and regulations that apply in the countries in which we operate, and we aim to ensure that Human Rights are an integral part of relevant processes.

Policy implementation and progress

Result: Key elements from our policy on human rights are integrated in a supplier evaluation form and a standard supplier agreement, aiming to support focus and transparency on human rights across our supplier base. The supplier evaluation form has been used at on-site supplier audits.

Human rights policy included in supplier evaluation form and standard supplier agreement; form used at on-site supplier audits.

During this financial year, we have experienced no breaches in terms of the human rights policy. We have continued implementing the human rights policy upon renewal and entering of new contracts with suppliers. In addition, we have established a central role for procurement to, among other things, ensure ongoing progress and focus on the area.

No human rights policy breaches.

Social and Employee Terms

Policy

In Pindstrup, we

- offer a versatile and including workplace with equal opportunities for all
- create room for employees' personal development in their job
- develop leaders who inspire to bring out the best in our employees
- offer competitive terms of employment for our employees
- create a safe and healthy work environment
- engage in our communities through partnerships, donations, sponsor agreements, events or other ways of supporting
- offer work conditions that comply with legal requirements and relevant guidelines, and that acknowledge the principles of the UN Global Compact.

Policy implementation and progress

Result: During the current financial year, we have continued our focus on employee health and safety by continuing the implementation of Group guidelines for systematic safety reporting based on LTI, preventive actions and safety awareness.

Continued implementation of guidelines for systematic safety reporting, preventive actions, and safety awareness.

Going from an LTI frequency² of 8-12 through the last years, we had 15 incidents during 2022/2023, corresponding to 14 incidents per 1 mill. working hours, up from 6 last year. This is not satisfying, and as mentioned above we will continue to work with safety awareness, training and learning across sites. Part of the reason for the higher number of incidents is increased attention, meaning that incidents that would previously not have been reported, are now registered, handled and used as learning. This may seem like a paradox but is a known effect from increased attention to an area.

Our target going forward is still to achieve a year-to-year reduction in work accidents.

Environment and Climate

Policy

In Pindstrup, we acknowledge the concern for the environment and for climate changes related to human activities, and we take responsibility for reducing the climate impact from our operations.

In Pindstrup, we

- promote a sustainable approach throughout the company
- work to prevent and reduce negative impact on environment and climate
- engage in ongoing dialogue with all stakeholder groups regarding environmental challenges and opportunities
- meet current legal requirements and relevant demands from external partners.

² LTI frequency = Accidents with absence >1 day per 1 mill. working hours.

Policy implementation and progress

Results³: The total energy consumption per produced cubic meter (m³) in 2022/2023 amounted to 23.1 kWh/m³ compared to 20.6 kWh/m³ in 2021/2022. This corresponds to an increase in energy consumption per m³ produced of 12%.

Total energy consumption per produced cubic meter:

2022/2023:	23.1 kWh/m ³
2021/2022:	20.6 kWh/m ³
2020/2021:	18.2 kWh/m ³
2019/2020:	19.0 kWh/m ³
2018/2019:	18.4 kWh/m ³ (baseline year)

Compared to the baseline year 2018/2019, this corresponds to an increase in consumption of 25%. Baseline energy consumption was 18.4 kWh/m³.

The increase in energy consumption is mainly caused by the following activities:

- A relatively high use of energy in Carolina Soil do Brasil, the Brazilian company that was acquired during the 2021/2022 financial year. The subsidiary is among other things engaged in the production of vermiculite, which is an energy-intensive process. The replacement of the current equipment is being considered with a view to reducing energy consumption.
- Our plant in Latvia significantly increased its production of wood fibre, which is more energy-intensive than processing peat. The CO₂ impact of the use of wood fibre is significantly lower than the use of peat in a “from bog to bin” perspective, and we will continue to drive the move from peat to alternatives (cf. p. 3).
- The move towards peat-free growing media produced at the Bulrush factory. This means increased production of wood fibre, which is more energy-intensive than processing peat, like in Latvia.

We have a target of 40% peat alternatives in our substrates by 2028. In 2022/2023 the raw material mix was 71% peat and 29% alternatives, compared to 75% peat and 25% alternatives in 2021/2022 (not including Russia).

By increasing the share of alternatives to peat and by producing products that contain a higher share of wood fibre and other alternatives, we use more energy in the production. However, alternatives are and will remain an important part of the green transition as the use of alternatives lowers our customers’ emissions taking end-of-life impact into the equation. End-of-life impact from peat is significant, whereas end-of-life impact from alternatives is zero.

³ Our accounting policy for the KPI on energy savings is energy consumption covering electricity, district heating, oil, diesel and peat for energy and heating from our production sites (Latvia, Russia (no activity included in the 2022-2023 numbers), Ireland, Denmark, Spain and Brazil) and company vehicles incl. tractors and excavators. The method for calculating the energy consumption per produced cubic meters of finished goods does not consider the effect of stock change for raw materials. The raw materials are used in the finished goods, but due to seasonal fluctuations there can be either an increase or a decrease in the raw materials in stock. Over time, the production of raw materials corresponds to the production of finished goods.

Anti-Corruption and Bribery

Policy

All employees and representatives are expected to show honesty and integrity in dealing with customers, other employees, suppliers, business partners, authorities, and organizations.

In Pindstrup, we

- have zero tolerance for all forms of corruption, whether giving or taking, and make active efforts to ensure that this does not occur
- strive for transparency in business decisions and practices
- show caution when receiving anything from business partners; the same applies when giving anything of value to business partners
- follow existing legal requirements.

Policy implementation and progress

Result: During this financial year, we have experienced no non-compliance with the anti-corruption and bribery policy. We have implemented the policy on anti-corruption when updating or entering new contracts with suppliers.

No breaches of the anti-corruption and bribery policy.

Gender distribution in management

Policy

An inclusive working environment is vital for Pindstrup to maintain an innovative and high-performing organization. Pindstrup wants to be an attractive employer that attracts people with high competences regardless of gender, nationality, religion, ethnic background, sexual orientation, or age. We see an inclusive culture as a prerequisite for attracting the most talented employees and developing the business positively.

The overall objective of the policy on other management levels is to ensure an inclusive and versatile workplace that promote equal opportunities no matter gender. It is important for everybody to have equal access to the management levels irrespective of gender. Pindstrup is committed to working towards increasing the share of the underrepresented gender (woman) in executive and managerial positions as well as in the organization in general.

Policy implementation and progress

Result: We continued our work to improve diversity and inclusion across the group with an emphasis on managerial levels by

Working to continuously improve diversity and inclusion on managerial level and throughout the Group.

- endeavouring to ensure diversity on the list of relevant candidates when conducting job interviews; this also applies when we use professional recruiters
- offering professional and personal skills development with a particular focus on encouraging all relevant candidates to develop their management skills
- ensuring that female employees experience the same opportunities in their careers and in achieving managerial positions as their male counterparts.

The gender composition of other management levels as per 30 September 2023 is 15% women and 85% men. Other management levels include the management team in Pindstrup Mosebrug A/S and the management teams at our production sites⁴.

The Board of Directors of Pindstrup Mosebrug A/S consist of 3 men and 1 woman, and the current gender composition is thus unchanged in the past year, since no new board members have been elected⁵. The objective is that the underrepresented gender in the Board of Directors should always constitute at least 25% of the Board. Thus, we currently live up to the target.

⁴ Other management levels are defined as those who have a managerial function, not including team leaders.

⁵ Only board members elected by the General Meeting are counted when calculating the gender composition.

KPI overview

For the following policy areas, several KPIs have been set and will be measured and reported in next year's CSR Report.

Policy area	KPIs for the current financial year (2022/2023)	Status	KPIs for the next financial year (2023/2024)
Human Rights	Initiate on-site supplier audits in Procurement based on new supplier evaluation form.	2 audits performed.	Perform minimum 3 audits with suppliers.
Social and Employee Terms	Form new guiding principles on Group Health & Safety.	KPI not achieved.	Achieve a year-to-year reduction in work accidents.
	Achieve a year-to-year reduction in work accidents.	KPI not achieved.	
Environment and Climate	2% energy savings per m ³ product produced compared to last year.	KPI not achieved.	2% energy savings per m ³ product produced compared to last year.
Anti-Corruption and Bribery	Maintain no cases of non-compliance with the anti-corruption and bribery policy.	KPI achieved.	Maintain no cases of non-compliance with the anti-corruption and bribery policy.

CSR in practice at Pindstrup

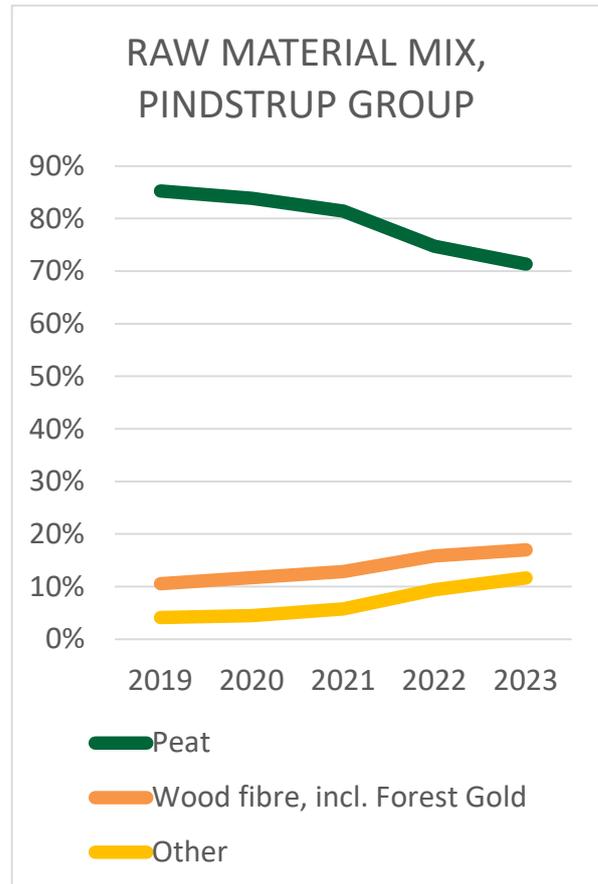
Throughout the year, Pindstrup engages in various activities that support our CSR-related efforts. Below are two cases that illustrate how we work with CSR in practise, and how CSR is integrated in the entire value chain – from investments at our plants to the final product that is used in the customers' greenhouses.

Reducing the dependency of peat

When we regard the total sustainability impact of Pindstrup's activities, the main contributing factor is the amount of peat used in our growing media mixes. In many ways, peat is an excellent ingredient in substrates, and it is not easy to reduce the peat ratio as both financial and technical characteristics work against this effort. Still, we strive to make high-quality alternatives available, and all in all with good results. In 2023, the total amount of peat alternatives constituted 29% of all raw materials, up from 25% in 2022 and expected to be well above 30% in 2024.

As shown in the diagram to the right, wood fibre constitutes the highest share of alternatives in our raw material mix.

Especially two of Pindstrup's entities are showing the way for the future: Bulrush in Northern Ireland, supplying the UK market, and Carolina Soil do Brasil, supplying the Brazilian market, have reduced the share of peat to 35% and 40%, respectively, in their raw material mix.



Adapting recipes without compromising performance

The transition towards peat-reduced mixes in Carolina Soil began three years ago and is driven by the sustainability agenda. Many customers wish to reduce their total footprint, and they want a trustworthy supplier of growing media to assist towards this goal.

Carolina Soil has successfully substituted a significant volume of peat with wood fibre, coir, rice hulls and vermiculite, without compromising the consistency and performance of the mixes. "Adapting the recipe while maintaining product features has been challenging", says Anderson Schaefer, Managing Director of Carolina Soil, "but attention to the quality of other ingredients, as well as appropriate adaption in nutrient composition, have brought us a long way."



Thorough testing in close cooperation with customers is key to ensuring a smooth transition from one recipe to another.

We will maintain our focus on moving towards a lower peat ratio in our mixes, continuously introducing higher volumes of alternatives, particularly Forest Gold – wood fibre designed for use in horticulture. During 2024, our wood fibre production capacity is set to increase significantly, which will further support this development.

A sustainable shift: Transitioning from diesel to electric forklifts

Due to the growing awareness of environmental issues, Pindstrup is increasingly seeking sustainable solutions to reduce our environmental footprint. One such effort involves the transition from traditional, diesel-powered vehicles to electric alternatives. In 2023, we converted five forklift trucks at our production plant in Latvia to new electric ones, focusing on the carbon dioxide (CO₂) emissions associated with each fuel type. At the same time, we added an extra electric forklift because of increased demand.

Substantial reduction in CO₂ emissions

The environmental implications of this shift are significant, as reflected in the calculations provided in the table below. The key factor in this transition is the substantial reduction in CO₂ emissions associated with electric forklifts compared to their diesel counterparts. Despite 20% extra capacity, the significant reduction in CO₂ emissions from electric forklifts is evident. The total annual savings amount to 296,132 kg CO₂.

	Diesel forklifts	Electric forklifts
Average motor hours per truck per year	2,500 hours	2,000 hours (20% less than diesel for reduced idle time)
Average diesel consumption	2.5 liters per motor hour	n/a
Annual diesel consumption per truck	6,250 liters	n/a
Average electric consumption	n/a	5.35 kWh per motor hour
Annual electric consumption per truck	n/a	10,700 kWh
Carbon intensity in Latvia	n/a	0.17 kg CO ₂ /kWh
Annual CO ₂ emissions per truck	61,410 kg CO ₂	1,819 kg CO ₂
Total annual CO ₂ emissions in relation to forklift operation	307,050 kg CO ₂	10,914 kg CO ₂

Improved working environment

In addition to reducing CO₂ emissions, the electric forklifts contribute to an improved working environment. The forklift drivers are very pleased with the change, referring to the vehicles as “the Mercedes of forklifts”. The comfort level has greatly improved, the noise level is lower, the drive is smoother, and particles from exhaust fumes have been eliminated. Operating characteristics are much better with steering and joystick operations being more precise. The forklifts also perform

better in snowy and icy conditions as they accelerate slowly/moderately without the wheels spinning.

An extra feature increases safety as the new forklifts are installed with a monitoring and warning system: pedestrians in the work area wear special safety vests, and when the forklift detects pedestrians or other forklifts nearby, it gives a warning signal to avoid collision. This automatic communication between employees and equipment reduces hazardous situations and is a great tool in our efforts to continuously reducing the number of work-related injuries.



Three out of the six new electric forklifts lined up for charging.

In addition to the environmental benefits, the financial advantages of this change are also noteworthy. The lease cost for electric forklifts is slightly higher, but the cost of fuel (electricity) is app. 2,000 EUR lower for each forklift. Thus, the decision to convert from diesel to electric forklifts not only contributes significantly to environmental conservation and improved working environment, but also offers substantial cost savings.