



PINDSTRUP

**Corporate Social
Responsibility Report
for
Pindstrup Mosebrug A/S
2020/2021**

**Statutory Statement of CSR
February 2022**

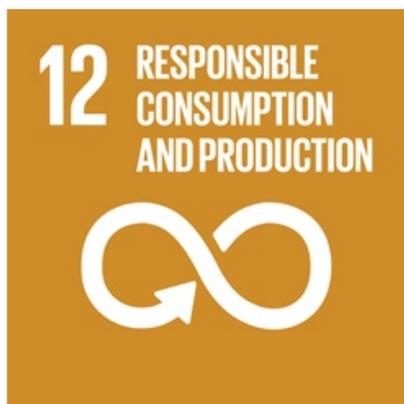
Corporate Social Responsibility Report for Pindstrup Mosebrug A/S 2020/2021

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 2020/2021 financial year.

In the 2020/2021 financial year we launched the Game Plan that sets the direction for the Pindstrup Group for the next five years, led by the vision *“We are the world’s leading expert and supplier of growing media to the horticulture industry”*. Backing this vision is our new ambition to transform Pindstrup to a more “green” global company and supplier of growing media within the next decade. Behind this ambition is the Board of Directors, who has a great interest in the sustainability agenda and is committed to allocating resources and investments to accomplish this ambition.

We will, among several strategic priorities, take our work with the UN Sustainable Development Goals, CSR and Health and Safety to the next level over the coming years. This includes implementing a CSR program aligned with the UN Sustainable Development Goals. Goal 2 on Zero Hunger, goal 12 on Responsible Consumption and Production, and goal 15 on Life on Land already played a role in the development of our Game Plan, which further sets out to balance the three bottom lines of people, planet, and profit.

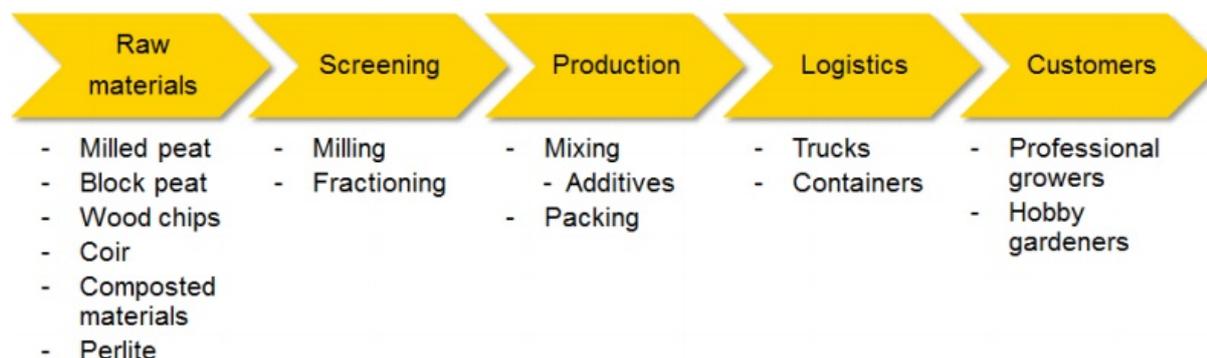
The UN Sustainable Development Goals that form the basis of Pindstrup’s five-year Game Plan:



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



Risks

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 the dialogue with suppliers.
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.
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. The COVID-19 epidemic also poses a health risk to our employees.	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. In terms of COVID-19 we have taken several precautionary measures including education and testing equipment, equipment for working at home, etc.
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.

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: During this financial year, we have experienced no breaches in terms of the human rights policy. Our focus in the current financial year (2020/2021) has been to meet the regulations on COVID-19 that apply in the different countries and markets in which we operate. We are currently preparing the implementation of the human rights policy in contracts with suppliers, both in connection with contract renewal and when entering into new contracts.

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.

Policy implementation and progress

Results: The total energy consumption pr. produced cubic meter (m³) in 2020/2021 was 18.2 kWh/m³ compared to 19.0 kWh/m³ in 2019/2020. This corresponds to 4% energy saving per m³ produced. In comparison to the baseline year 2018/2019, a 1.1% energy saving has been achieved. Baseline energy consumption was 18.4 kWh/m³.

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 all our production sites (Latvia,

Russia, Ireland, Denmark and Spain) 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.

To support the “green” transition going forward, we have decided to invest in installing solar panels at our factory in Spain in February 2022 (see page 10). We have furthermore set a goal to triple the use of alternatives to sphagnum within the next five years in alignment with our Game Plan. Specifically, we will prioritize investments in wood fibre technologies and increase the share of Forest Gold wood fibre in our products.

We will also continue to explore and test opportunities within the application of biofibre (residual from the production of biogas), biochar, and other possible growing media constituents. In parallel with this, we will work more systematically with environmental data of our different solutions through a new life cycle assessment (LCA) tool developed by Growing Media Europe in collaboration with external parties. This will enable us to make more informed decisions based on data and comparison of different types of growing media constituents in terms of CO₂ emissions across the entire value chain.

To reduce the use of plastic in our packaging, we are currently implementing the use of packing material consisting of 80% recycled plastic for bags to the retail segment in Denmark within the Pindstrup and Danmuld brands. Going forward, we will seek to apply the knowledge and experience we gain from using recycled plastic in bags for the retail segment to all retail product lines as well as our professional products.

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

During the current financial year, the wellbeing of our employees in terms of COVID-19 was the paramount issue to address. At our headquarter, an employee was educated to conduct routine-tests on colleagues. Further, we invested in testing equipment and personal protective equipment, and in technology and devices to enable as many of our employees as possible to work at home in safe surroundings. Despite several precautionary measures, we have unfortunately experienced employees with illness due to COVID-19.

Result: After a positive development, going from 16 work accidents² in 2018/2019 to 5 work accidents in 2019/2020, we saw an increase to 8 work accidents in 2020/2021. Due to the increase, we decided to implement a new safety program, “Life-Saving Rules”, which is being rolled out across our production sites. Going forward, our target is to achieve a year-to-year reduction in work accidents.

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 organisations.

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 (2020/2021), we have experienced no non-compliance with the anti-corruption and bribery policy. We are currently preparing the implementation of the anti-corruption and bribery policy in contracts with suppliers, both in connection with contract renewal and when entering into new contracts.

Diversity and Inclusion

Policy

An inclusive working environment is vital for Pindstrup to maintain an innovative and high-performing organisation. 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 organisation in general.

Policy implementation and progress

During this financial year, we continued to implement the Diversity and Inclusion policy with all companies within the Pindstrup Group. Other management levels include the management team in

² Definition of work accident: An accident that leads to one or more days of absence, other than the day of the accident.

Pindstrup Mosebrug A/S and the management teams on our production sites. This year, we have changed one position in the management team at one of our production sites. This gives a gender composition of other management levels of 8% women and 92% men.

Going forward, we will work to strengthen diversity and inclusion in our managerial levels by

- endeavouring to ensure that both sexes are represented on the list of relevant candidates when conducting job interviews and use professional recruiters
- offering professional and personal skills development with a particular focus on encouraging both genders 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.

In the Board of Directors of Pindstrup Mosebrug A/S, the current gender composition is unchanged and make up 75% male and 25% female members³. The objective is by the end of 2022 that female board members should constitute 25% of the Board. In the past year, no new board members have been elected.

³ Only board members elected by the General Meeting are counted when calculating the gender composition.

KPI overview

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

Policy area	KPIs for the current financial year (2020/2021)	Status	KPIs for the next financial year (2021/2022)
Human Rights	Continue implementation of policy with all companies within the Pindstrup Group and apply policy in supplier contracts.	KPI partially achieved.	Continue implementation of policy and implementation in supplier contracts upon renewal or entering of new contracts.
Environment and Climate	Continue implementation of policy with all companies within the Pindstrup Group.	KPI not achieved.	Integrate policy in the roll-out of the new CSR program.
	2% energy savings per produced m ³ product compared with baseline year.	KPI partially achieved.	2% energy savings per m ³ product produced compared to last year.
Social and Employee Terms	Continue implementation of policy with all companies within the Pindstrup Group.	KPI not achieved.	Integrate policy in the roll-out of the new CSR program.
	Achieve a year-to-year reduction in work accidents.	KPI partially achieved.	Achieve a year-to-year reduction in work accidents.
Anti-Corruption and Bribery	Continue implementation of policy with all companies within the Pindstrup Group.	KPI not achieved.	Continue implementation of policy.
	Continue to implement policy in supplier contracts.	KPI not achieved.	Continue to implement in supplier contract when updating contracts.

CSR in practise at Pindstrup

Case: Solar-based production in Spain

In our search for adding on-site renewable energy to our production sites, we have decided to harvest the power of the sun at our production site near Burgos, Spain. More specifically, we will team up with EDP Energia Spain and install solar panels in an effort to both to reduce the climate impact and lower our energy costs. The solar panels will be installed in early 2022 and will cover approx. 40% of our total electricity consumption at the production site. The solar panels will have a maximum capacity of up to 100 kW and will be installed on the existing roof of the factory building, facing west.

In addition to installing solar panels, we will also install electrical vehicle charging stations for commuting employees. This will incentivise our employees to go all electrical when buying a car and support the employees who have already embarked on the journey towards more sustainable transportation.

According to the Spanish Electric Network, renewable energy accounted for 43.6% of energy production in Spain in 2020, of which only 6.1% came from solar power. In Pindstrup, we wish to promote the use of solar – and renewable energy in general – with the decision to install solar panels.

Our work with renewable energy is an ongoing process, and we look forward to gaining practical insights and knowhow, which we will seek to exploit across the Pindstrup Group as we continue to work with renewable energy going forward.



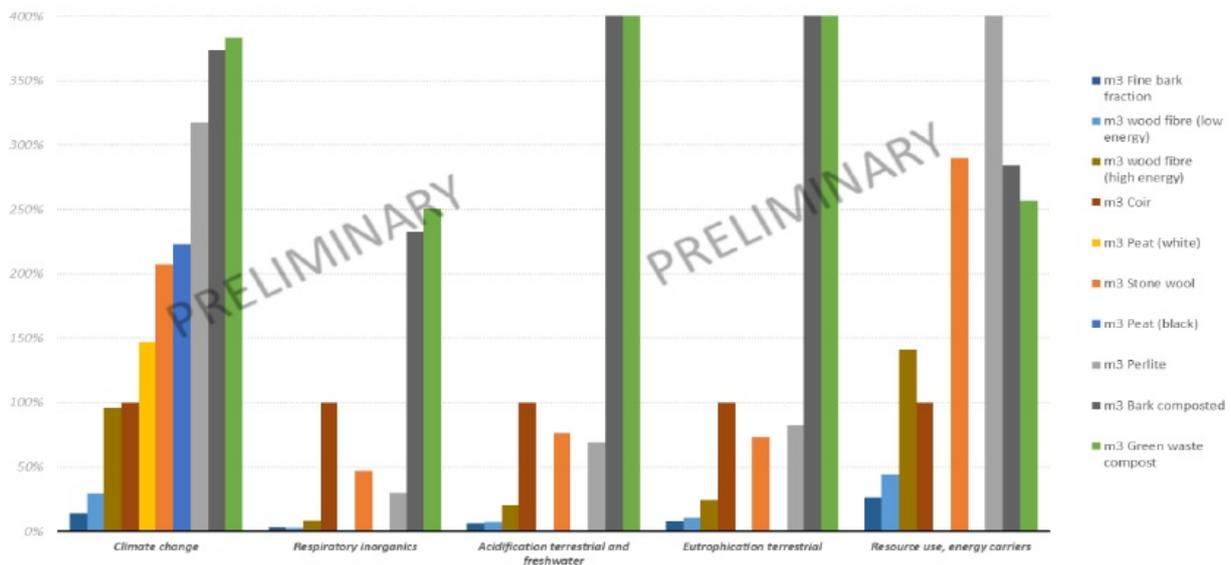
The yellow square indicates where the solar panels will be installed at our production site in Burgos, Spain.

Case: Sector-wide methodology for the calculation of environmental footprint

Sustainability is too important to be a guessing game. Consequently, Pindstrup has over the last two years been engaged in a working group in Growing Media Europe with the purpose of developing a scientific life cycle assessment (LCA) methodology. The objective is ultimately to have scientific and valid data that can guide our decision-making and actions on the environmental impact of our products. From Pindstrup's side, we contribute to the project by sharing data and insights, by putting in workhours and, in addition to this, by helping to finance the project.

The life cycle assessment calculation tool will focus on 19 pre-defined environmental impact factors covering e.g. CO₂ emissions across the value chain, biodiversity factors and water consumption. As so many different factors are taken into account, the life cycle assessment tool enables us to compare sphagnum peat, which is currently the main constituent in most growing media, to other constituents in terms of environmental impact. This will help us optimise our product development going forward. The tool is developed in accordance with the European Commission Product Environmental Footprint Category Rules (PEFCR).

The next step in the project is to develop a sector database and finalise an IT tool, which will allow us to calculate the environmental footprint of our products in accordance with the PEF (Product Environmental Footprint) methodology. It is no secret that we have high expectations when it comes to using the IT tool and obtaining real and actual data on sustainability in 2022, both on our current products and on products in the research and development pipeline. We see a huge potential in applying a more data and fact-driven approach to working with sustainable growing media in the future.



The LCA calculation tool will enable us to compare growing media constituents on a number of environmental impact factors.