



PINDSTRUP

**Corporate Social
Responsibility Report
for
Pindstrup Mosebrug A/S
2021/2022**

**Statutory Statement of CSR
February 2023**

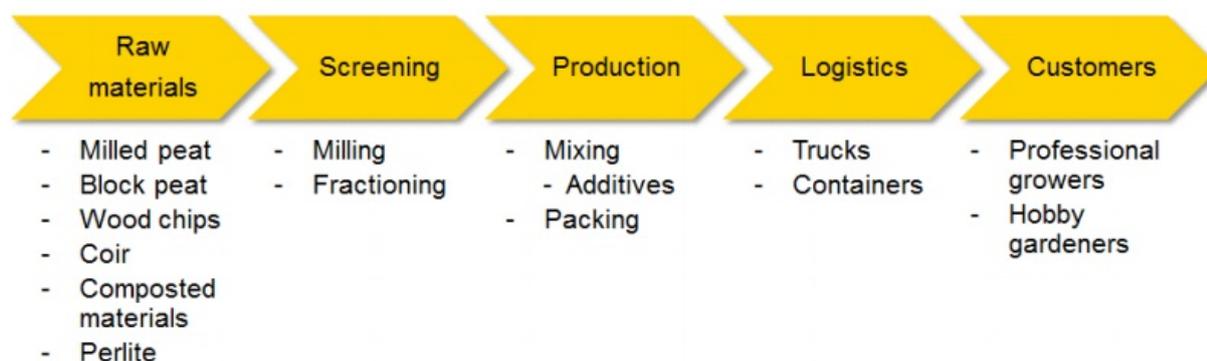
Corporate Social Responsibility Report for Pindstrup Mosebrug A/S 2021/2022

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 2021/2022 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

We launched a strategy plan in 2020/2021 led by the vision *“We are the world’s leading expert and supplier of growing media to the horticulture industry”*. Part of this plan was an ambition to transform Pindstrup into a greener global company within the next decade – a decision that is now working its way into the organization across the Group. In 2021/2022, a strategy review process began, and going into 2022/2023 we are now committing ourselves to a revised plan called *“Grow the Future”*, which will cover 2022-2027 and will be rolled out in the coming months.

The strategy plan contains increased proactivity on the CSR agenda in the shape of specific focus areas, including the target of using 40% peat alternatives in our substrates by the end of the strategy period. Switching to alternatives is, however, not necessarily a sustainable move in itself. Therefore, in our effort to reduce the use of peat, we strive to identify and implement alternatives that honour two criteria: as constituents in a growing media, the alternatives must have a better profile in terms of CO₂ impact and influence on the climate and the environment, or at least the same profile as peat, and in terms of properties they must perform as well as, or better than, peat.

Regardless of external factors, we will 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

Discontinued operation

In the past year, many companies have to a certain extent been affected by the dreadful war in Ukraine, and Pindstrup is unfortunately no exception. Through many years we have had great relations, good colleagues, and large-scale production as well as product development projects in Russia. Consequently, not only our supply chain but also our colleagues and facilities are directly impacted by the war and its consequences.

As a direct result, the Russia-based part of our company is by end of the financial year 2021/2022 regarded and reported as “discontinued operation” as we seek to divest our activities. In the process, we do our utmost in this difficult situation to find the best possible solution going forward for the colleagues who are affected.

Enhanced focus on local supply and supply chains

During the past financial year, we have acquired the company Carolina Soil do Brasil, expanding our corporate footprint in South America. This acquisition is a milestone in Pindstrup’s ambition to secure stronger local supply and supply chains while enabling the cultivation of crops in challenging environments and reducing climate impact by serving neighbouring markets.

Risks and action in 2021/2022

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.
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.	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.
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 now integrated in a new supplier evaluation form and a new standard supplier agreement, aiming to support focus and transparency on human rights across our supplier base. The supplier evaluation form will be used at on-site supplier audits, which we expect to initiate during next financial year.

Human rights policy included in new supplier evaluation form and new standard supplier agreement.

No human rights policy breaches.

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 employed a new Head of Procurement to, among other things, ensure ongoing progress and focus on the area.

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

Results²: The total energy consumption per produced cubic meter (m³) in 2021/2022 amounted to 20.4 kWh/m³ compared to 18.2 kWh/m³ in 2020/2021. This corresponds to an increase in energy consumption per m³ produced of 12%.

Total energy consumption per produced cubic meter:

2021/2022: 20.4 kWh/m³
2020/2021: 18.2 kWh/m³
2019/2020: 19.0 kWh/m³
2018/2019: 18.4 kWh/m³ (baseline year)

Compared to the baseline year 2018/2019 it corresponds to an increase in consumption of 11%. Baseline energy consumption was 18.4 kWh/m³.

The increase in energy consumption is mainly caused by a relatively higher 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 the energy consumption.

For a more precise year-to-year comparison, the total energy consumption without including the consumption at Carolina Soil do Brasil amounted to 18.4 kWh/m³. This is still an increase of 0.2 kWh/m³ compared to last year. The increase can be contributed to the fact that 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).

Last year we announced our target on tripling the use of alternatives to peat within a five-year period, and due to increased focus and external circumstances we are happy to share that we have already doubled the share of alternatives compared to last year. We will continue monitoring and pushing to increase the share, with the target of reaching 40% peat alternatives in our substrates by 2027.

By increasing the share of alternatives to peat and by producing products that contain a higher share of wood fibre and other alternatives, we can guide and support our customers in the green transition by helping them lower their emissions when moving away from conventional peat products. Please also see the cases on pages 12-13.

Furthermore, we have broadened our focus during the past financial year in terms of climate impact. This means that going forward we will, in addition to own production and product development, look thoroughly into reducing our footprint within transport and raw materials.

The broadened focus combined with our target on alternative raw materials has led to planning a large-scale conversion of selected production sites. We plan to convert selected steam-based

² 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 in Latvia, Russia, 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.

conventional facilities to power-based wood fibre plants over the coming few years. The wood fibre plants will be driven partially on locally produced power from our own solar panels. Read more in the case on page 12.

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 further increased our focus on employee health and safety by launching new initiatives on Group guidelines for systematic safety reporting based on LTI, preventive actions and safety awareness. To secure continuous focus and development in terms of safety, well-being and development of our employees, we have employed a Group HR Director and a Health & Safety Specialist at our largest production site in Latvia.

New guidelines for systematic safety reporting, preventive actions, and safety awareness.

Going from an LTI frequency³ of 9-12 through the last years, we had 8 accidents during 2021/2022, corresponding to a reduction in the frequency to 6 accidents per 1 mill. working hours. This is still not satisfying, and as mentioned above we will continue to work with safety awareness, training and learning across sites. One of the main themes of the coming year will be internal transport.

Our target going forward is still 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 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

³ LTI frequency = Accidents with absence >1 day per 1 mill. working hours.

- 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.

Diversity and Inclusion

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

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

- 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.

This year, we have

- increased the proportion of female managers
- recruited our first female engineer in our technology department
- welcomed a new female member of the group management
- increased the presence of English-speaking employees in our finance and engineering department

All of the above points bring new, valuable perspectives and cultural input to the business.

As a result of this, the gender composition of other management levels is now 8% women and 92% men. Other management levels include the management team in Pindstrup Mosebrug A/S and the management teams at our production sites.

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 elected⁴. 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 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 (2021/2022)	Status	KPIs for the next financial year (2022/2023)
Human Rights	Continue implementation of policy and implementation in supplier contracts upon renewal or entering of new contracts.	KPI partially achieved.	Initiate on-site supplier audits in Procurement based on new supplier evaluation form.
Environment and Climate	Integrate policy in the roll-out of the new CSR program.	KPI not achieved.	2% energy savings per m ³ product produced compared to last year.
	2% energy savings per m ³ product produced compared to last year.	KPI not achieved.	
Social and Employee Terms	Integrate policy in the roll-out of the new CSR program.	KPI not achieved.	Form new guiding principles on Group Health & Safety.
	Achieve a year-to-year reduction in work accidents.	KPI not achieved.	Achieve a year-to-year reduction in work accidents.
Anti-Corruption and Bribery	Continue implementation of policy.	KPI partially achieved.	Maintain no cases of non-compliance with the anti-corruption and bribery policy.
	Continue to implement in supplier contract when updating contracts.	KPI partially achieved.	

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 in production capacity to the final product that is in use in the customers' greenhouses.

Case: Investments in new wood fibre production plants

It takes real action as well as investments to back our ambition of transforming Pindstrup to a greener global corporation and supplier of growing media and accessories within the next decade. Therefore, we have decided to invest in additional wood fibre facilities in the coming few years. This investment will result in a significant increase in the production of wood fibre.

The first new plant will start production already in early 2024 and will be partly supplied by renewable energy. Moreover, we will install solar panels and electrify the steam plant that supplies the new wood fibre plant to reduce the climate impact and lower our energy consumption. In fact, for all additional wood fibre plants we will invest in renewable energy supply and conduct energy optimization projects.

The location of our plants will reduce transportation by serving the local markets and thereby contribute to reducing emissions from transport.

Our investment in wood fibre production supports the Sustainable Development Goal number 12 on Responsible Production and Consumption as well as number 15 on Life On Land. The future growth of Pindstrup will rely heavily on wood fibre and other peat alternatives, including composted materials, which ultimately will help our customers in their efforts to reduce their CO₂ emissions.



Growing our production capacity for wood fibre allows us to add even larger volumes of wood fibre to our mixes.

In addition to lowering the CO₂ footprint of the growing media, wood fibre mixes are also lighter and thus easier to handle.

Pindstrup's wood fibre is called Forest Gold, illustrating the valuable features of this natural material.

Case: Peat-free products

In Pindstrup, we wish to supply our customers with a selection of products including peat-free ones. We continuously strive to find financially and environmentally viable alternatives to horticultural peat – alternatives that are available in sufficient volumes and capable of performing at the levels that you would expect from our products.

In the UK, our production of peat is already very limited, and we are proactively meeting the requirements for the banning of the sale of peat for use in the amateur gardening sector by 2024 and professional horticulture by 2028. Our peat-free mixes consist predominantly of wood fibre, and as described above, our production capacity for wood fibre will be increased in the coming years to accommodate an growing demand. Our initial life-cycle assessment of peat products vs. wood fibre products shows a significant reduction in CO₂ emissions when including wood fibres in our growing media.

For a number of years, we have been conducting trials with selected customers, with different types of plants and in different types of technical set-ups, testing various peat-free mixes with positive results. Working closely with the growers, fine-tuning growing practices, we are now producing high-quality plants with no negative feedback from either the growers or the retailers.

Our R&D efforts into peat-free products continue, and we are happy that we can already offer peat-free products to our customers in the UK. Going into 2023, we plan to launch a similar peat-free series for retail customers in Denmark.



Bulrush – Pindstrup’s subsidiary in the UK – has been conducting trials with customers for a number of years, testing various peat-free mixes with positive results.

From the left:

Mix of 50% Forest Gold, 40% coir, 10% anaerobic digestate with a standard base fertilizer, used for nursery stock of multiple species.

Mix of 50% Forest Gold, 40% coir, 10% anaerobic digestate with a base fertilizer with high levels of ammonium, used for ericaceous plants (Rhododendrons, Azaleas, etc.), traditionally difficult to grow in non-peat mixes.

Mix of 50% Forest Gold, 50% coir with a standard base fertilizer, used for bedding plants and (pictured) Poinsettias.