



schouw&co

—▷ **ESG Report 2021**

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Statutory report on corporate responsibility pursuant to section 99a of the Danish Financial Statements Act

This ESG report constitutes the Schouw & Co. Group's report on corporate responsibility for the 2021 financial year provided in accordance with section 99a of the Danish Financial Statements Act. The report's statutory sections also include our reports on diversity, see section 107d the Danish Financial Statements Act, gender composition of management, see section 99b of the Financial Statements Act, and data ethics, see section 99d of the Financial Statements Act.

This publication is a translation of the Danish ESG Report 2021. The original Danish text shall be decisive for all purposes and in case of any discrepancy, the Danish wording shall be applicable.

Overview



Ambitious ESG targets launched for 2030

ESG reporting further strengthened in 2021

EBITDA
2.2
DKK BN

ROIC
14.1%
EXCLUDING GOODWILL

+9% →

AVERAGE ANNUAL GROWTH

+14%



10,250

skilled and dedicated employees

Low financial leverage with NIBD/ EBITDA of **1.2x** allows for additional value-creating investment for increased capacity and company acquisitions

34

year track record of making successful transformations and long-term investments

144

year history as an industrial business

Our purpose:

Schouw & Co. is a responsible long-term owner enabling growth through transformation. We build the companies of tomorrow by putting people first

schouw&co | BRIGHT MINDS | STEADY HANDS | BETTER BUSINESS

60

factories in 30 countries



Schouw & Co.

delivered strong execution in a challenging 2021, maintaining the bottom line coupled with top-line growth. We are well positioned to continue our growth journey in 2022

Jens Bjerg Sørensen, President and CEO



Solid platform for profitable growth in the future backed by substantial investments and priority given to maintaining **strong customer relations** and strong supply capacity

Strong portfolio of six industry-leading B2B businesses headquartered in Denmark

- **BioMar**
- **Fibertex Personal Care**
- **Fibertex Nonwovens**
- **GPV**
- **HydraSpecma**
- **Borg Automotive**

EXPANSION
IN 2021:

5

projects launched to expand capacity

2

attractive bolt-on acquisitions completed

A word from the CEO



A clear direction

As a responsible long-term owner, Schouw & Co. dedicates additional resources to the ESG area. As a business, we are fully aware of our responsibility and have set a clear direction for the period leading up to 2030.



We live in a constantly changing world. This has become more evident than ever in the past few years. The impact of a pandemic of an unforeseen scope and major uncertainty associated with prices of raw materials and costs of energy and freight has forced us to adapt and respond quickly. The value of a solid foundation and robustness has shown its strength.

In 2021, we learned that climate change, social security, health and governance are becoming increasingly important. Schouw & Co. has a long history of being a responsible and reliable company, developing and transforming strong Danish industrial businesses through active ownership. Businesses that create innovative products and solutions and that make positive contributions to communities around the world and take responsibility for the surrounding environment and the people they influence.

This has always been a characteristic of Schouw & Co., and we see ESG as contributing to long-term value creation. In 2021, we strengthened our focus on responsible conduct across the Group with an overall strategic framework for the Group's approach to ESG and corporate responsibility. Schouw & Co. now has a strategic ESG target that is aligned with the Group's other growth, earnings, leverage and dividend targets, and we are introducing a responsibility wheel as part of Schouw & Co.'s overall strategy and active

ownership model. We have defined ambitious targets to be met by 2030 covering all of E, S and G, including a significant GHG reduction target of 35%.

We have set a clear framework for the Group companies, establishing strong ESG ambitions for a serious approach to corporate responsibility and long-term value creation. The Group companies have approached these efforts in different ways but, as a common feature, their ambitions for the period leading up to 2030 are clear and will make for real change and contribute to the necessary transition in society. We take responsibility and are dedicated to ensure that our solutions and products contribute to this development, while at the same time actively managing our own impact.

I am very pleased that the Group reduced its overall GHG emissions and its lost time injury frequency rate (LTIFR) in 2021. We still have a long way to go, and we will continuously refine our efforts. However, we have established a solid foundation and set a clear direction that we take our role as a responsible and long-term owner seriously. ☒

Jens Bjerg Sørensen, President and CEO
Aarhus, 4 March 2022

ESG highlights in 2021

SIGNIFICANT EVENTS

Schouw & Co. made significant progress in the ESG area in 2021. We have clear ambitions towards 2030 and have already seen improvements in the share of renewable energy, greenhouse gas emissions and our LTI frequency rate.



AT GROUP LEVEL

- Introduction of new strategic group-wide ESG framework, including a strategic responsibility target and a new responsibility wheel.
- New dedicated ESG resource at the parent company to coordinate activities at group level.
- Updating of environmental and climate policy and human rights policy at group level
- Clear ESG ambitions for the period until 2030, including a target to reduce GHG emissions by 35% (scope 1+2) and a target to reduce the LTI frequency rate to less than three incidents per million working hours. Targets for a high level of employee satisfaction and investment in innovation for sustainability purposes.
- Total reduction in greenhouse emissions of 4.4% from 2020 to 2021.



AT COMPANY LEVEL

- BioMar reduced scope 2 emissions by a significant 62%, and renewable electricity now covers 33%.
- Fibertex Personal Care reduced its LTI frequency rate by 28% from 2020 to 2021.
- Fibertex Nonwovens introduced ambitions to reduce cradle-to-gate greenhouse gas emissions by 20%.
- GPV decided to invest in solar panel systems for the expansion of factory space in Thailand and Sri Lanka.
- HydraSpecma has set ambitious targets for employee satisfaction and for reducing its greenhouse gas intensity by 50% by 2030.
- Borg Automotive strengthened in-house procedures and due diligence across the ESG area and reduced its LTI frequency rate by 14%.

GREENHOUSE GASES

4.4%

EMISSIONS
REDUCTION

ELECTRICITY

10%

RENEWABLE

LTIFR

6.4

DOWN FROM 6.6

CORPORATE INCOME TAX

381

DKKM PAID

Our Board of Directors and Executive Management



Chairman

Jørn Ankær Thomsen

Born 1945. Elected to the Board in 1982. Current term expires in 2022.

LL.M., University of Copenhagen. Attorney and of counsel, Gorrissen Federspiel Law Firm. Mr Ankær Thomsen has special expertise in legal matters, including company law and capital markets, and in strategy, financial reporting, treasury and finance, as well as mergers and acquisitions. Member of the company's audit committee and chairman of the company's nomination and remuneration committee. Jørn Ankær Thomsen is not considered to be independent.



Deputy Chairman

Jørgen Wisborg

Born 1962. Elected to the Board in 2009. Current term expires in 2025.

MSc, Aarhus School of Business and LEAP, Leadership Programme, Insead, France. CEO of OK a.m.b.a. Mr Wisborg has special expertise in management and sales as well as in strategy, business development, financial reporting, treasury and finance. Chairman of the company's audit committee and member of the company's nomination and remuneration committee. Jørgen Wisborg is not considered to be independent.



Board member

Kjeld Johannesen

Born 1953. Elected to the Board in 2003. Current term expires in 2023.

Business diploma (HD), Marketing economics, Copenhagen Business School and a professional board member. Mr Johannesen has special expertise in management, production and sales as well as in strategy, business development and international business relations. Kjeld Johannesen is not considered to be independent.



President and CEO

Jens Bjerg Sørensen

Born 1957. Appointed in 2000.

Business graduate, Niels Brock Business College, Business diploma (HD), Marketing Economics, Copenhagen Business School, IEP – Insead Executive Programme, Insead, France.



Board member

Agnete Raaschou-Nielsen

Born 1957. Elected to the Board in 2012. Current term expires in 2024.

PhD, University of Copenhagen and a professional board member. Ms Raaschou-Nielsen has special expertise in business development and acquisitions, macroeconomics, emerging markets, as well as international production, sales and marketing. Member of the company's audit committee and of its nomination and remuneration committee. Agnete Raaschou-Nielsen is considered to be independent.



Board member

Hans Martin Smith

Born 1979. Elected to the Board in 2017. Current term expires in 2025.

MSc (Economics), Aarhus University and CFO of Vestas Wind Systems A/S. Mr Smith has special expertise in finance, business development, strategy, M&A, capital markets and investor relations. Hans Marting Smith is considered to be independent.



Board member

Kenneth Skov Eskildsen

Born 1973. Elected to the Board in 2018. Current term expires in 2022.

Business training from Aarhus Business College and managing director of Givesco A/S. Mr Eskildsen has special expertise in international business relations, accounting and economics as well as sales and production, including specifically in foods. Kenneth Skov Eskildsen is not considered to be independent.



Vice President

Peter Kjær

Born 1956. Appointed in 1993.

BSc, Electronic Engineering, Engineering College of Aarhus, Business diploma (HD), Marketing Economics, Aarhus School of Business, MBA from IMD, Lausanne, Switzerland.

Schouw & Co.'s business model

Schouw & Co. has a long-term investment horizon. We invest in Danish industrial businesses with an international perspective and the potential to grow and evolve. We believe in long-term value creation through active ownership



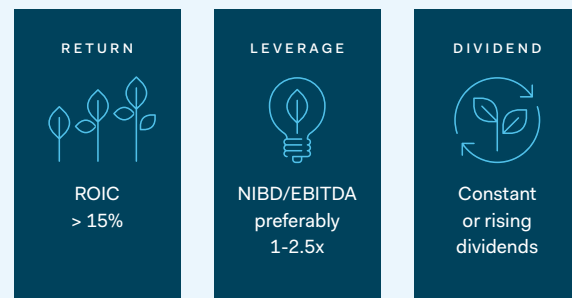
Strategy, active ownership and responsible conduct

As an active owner, Schouw & Co. lays down the general framework for the Group's companies, creating long-term value through active and inspirational ownership. This serves to set a clear direction and firm targets for our ESG efforts.

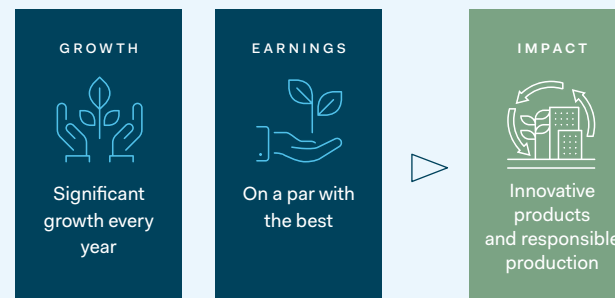
Strategic goals

We pursue strategic goals, at both group and portfolio company level. As part of these goals, we are introducing a impact target to guide our ESG efforts and to be reflected in our responsibility wheel.

STRATEGIC GOALS AT GROUP LEVEL



STRATEGIC GOALS AT COMPANY LEVEL



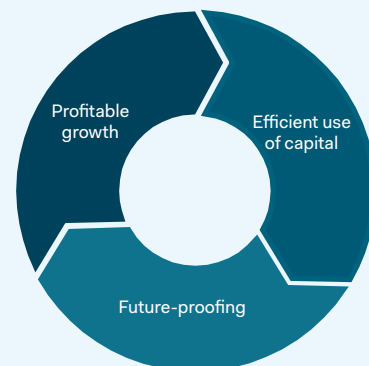
Strategy wheels

Our strategy is based on three 'wheels' that reflect the Group's modus operandi and our mindset. We use a responsibility wheel to highlight our strategic prioritisation of ESG and responsible conduct.

CONGLOMERATE STRATEGY



ACTIVE AND DEVELOPING OWNERSHIP



RESPONSIBILITY



Produce responsibly

The companies of the Schouw & Co. Group are required to manufacture their products efficiently in terms of resource consumption and climate impact.

Protect workers

All employees of the Schouw & Co. Group must be able to go to work and return home safely every day, no matter where in the world they are employed.

Promote innovation

Our companies assume a responsibility for ensuring strong governance and compliance, and they allocate resources for the development of sustainable solutions

2030 ambitions

The responsibility wheel consists of three focal areas. These areas are also reflected in our ESG ambitions toward 2030. We have defined three targets for each focus area to form the basis of our efforts over the coming years. 



Produce efficiently and responsibly

Reduce greenhouse gas emissions by 35% (scope 1+2)

Transition to 100% renewable electricity

Calculate a baseline for scope 3 before 2025



Protect workers and ensure attractive places to work

Achieve a high employee satisfaction score across the Group

Strengthen our diversity mindset

Achieve an LTI frequency rate below 3 at group level



Promote innovation and strong governance

Improve governance procedures

Invest in and facilitate innovation for sustainability

Strengthen ESG reporting and taxonomy alignment

Our businesses

The following part of the report provides a presentation of the portfolio companies along with actions taken and results achieved in terms of corporate responsibility in 2021. The individual company sections each contain a presentation of the company's purpose, business model and value chain, all describing how they create value to customers and society. Then follows each company's ESG ambitions in terms of the three main areas of the responsibility wheel: Produce efficiently and responsibly; protecting workers and ensuring attractive places to work; and promote innovation and strong governance, followed by a more detailed description of actions and results. In addition, these sections also cover work on human rights and anti-corruption in accordance with section 99a of the Danish Financial Statements Act.

The six portfolio businesses are: BioMar A/S, Fibertex Personal Care A/S, Fibertex Nonwovens A/S, GPV International A/S, HydraSpecma A/S and Borg Automotive A/S.

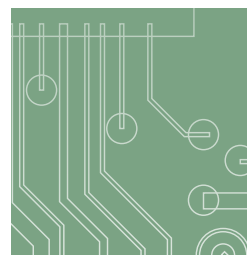
Overview

Schouw & Co.'s operations consist of six wholly-owned companies sharing the common trait of being B2B businesses headquartered in Denmark. The Group generates most of its revenue from automated or advanced production processes, in which the Group's businesses process sourced raw materials and sell the resulting products to customers who then manufacture their end products. The remaining part of the consolidated revenue derives from technical trading and processing operations, in which the Group's businesses handle or process sourced components before reselling them to OEM customers.



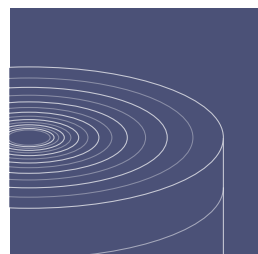
BioMar

BioMar is one of the world's largest manufacturers of quality feed for saltwater- or freshwater-farmed fish and shrimp. BioMar creates value through innovation and product development and applies its many years of experience and know-how about nutrition, environmental conditions and production technology to make efficient and sustainable feed.



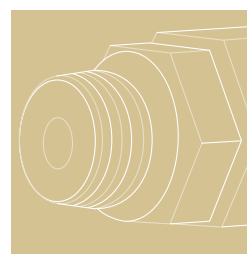
GPV

GPV is a leading European EMS (Electronics Manufacturing Services) company. GPV manufactures electronics, mechanics, cable harnessing and mechatronics (combination of mechanical technology, electronics and software). GPV's solutions are used in customer end products, including in medical equipment, transport and cleantech.



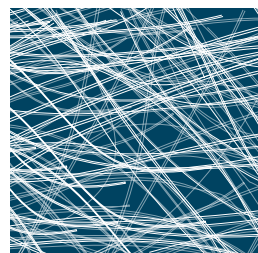
Fibertex Personal Care

Fibertex Personal Care is one of the world's largest producers of spunmelt nonwovens for the hygiene industry. These nonwoven materials are used by global brand names to manufacture diapers, sanitary towels and incontinence products. The company is also a market leader in direct printing on nonwoven textiles.



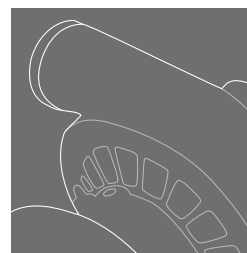
HydraSpecma

HydraSpecma is a specialist manufacturing, trading and engineering company operating within Power & Motion whose core business is hydraulic components and systems for industry and the aftermarket. The company's solutions are used in wind turbines, lorries, construction equipment and industrial plants from world-renowned manufacturers.



Fibertex Nonwovens

Fibertex Nonwovens is among the world's leading manufacturers of special-purpose nonwovens, i.e. fibre sheets produced on high-tech processing facilities with various purpose-specific post-processings. The processed materials are used in cars, the construction industry and for filtration solutions, often to replace heavier and more environmentally harmful alternatives.



Borg Automotive

Borg Automotive is Europe's largest independent automotive remanufacturing company. The company remanufactures defective parts, such as brake callipers, turbochargers, starters and alternators, and sells them in the B2B market. Borg Automotive has a strong market position and a sustainable business model based on the circular economy.

BioMar

◀ ▶ We are innovators dedicated to efficient and sustainable global aquaculture

13.3

DKK bn revenue in 2021

BioMar is one of the world's largest manufacturers of quality feed for the fish and shrimp farming industries.



Production units in

Denmark, Norway, Scotland, France, Spain, Greece, Turkey, Chile, Costa Rica, Ecuador, China, Vietnam and Australia

33%

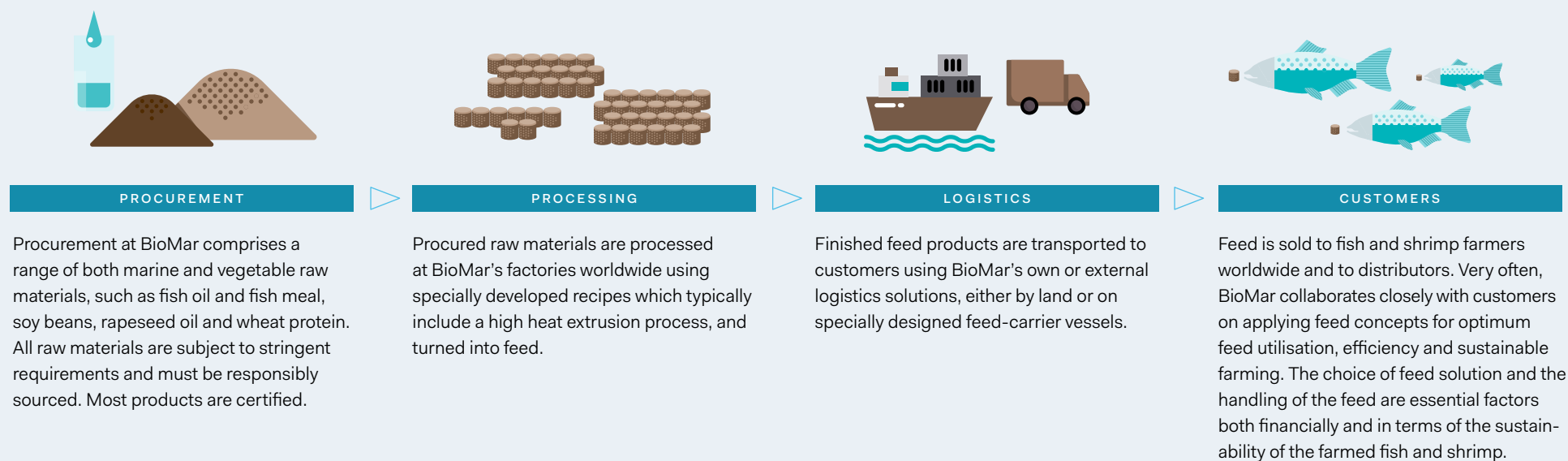
of BioMar's sourced electricity covered by certified renewable energy

1,450

employees

BioMar's business model

BioMar is one of the world's largest manufacturers of quality feed for the fish and shrimp farming industries. More than half of the feed produced is for salmon, but BioMar produces feed for more than 45 different species of fish and shrimp. Innovation and product development form an integral part of BioMar's business model, coupled with a focus on sustainability, which forms a key aspect of global aquaculture today.



2030 ambitions



BioMar's strategic work on sustainability is based on ambitious targets launched in 2021. BioMar has set targets in the three core promises: "Climate action", "Enable people" and "Circular and restorative" that will guide the company's efforts towards 2030 and strengthen its position in sustainable aquaculture.



Climate action

Reduce total feed GHG footprint by one third by 2030



Enable people

Engage 100,000 people directly in capacity-building initiatives by 2030



Circular and restorative

Make 50% of raw materials for feeds circular or restorative by 2030



Actions and results

Environment

BioMar accelerated its efforts to promote sustainability across the organisation in 2021. The company has launched ambitious targets, including in particular an ever-growing focus on climate change and reducing GHG emissions.

Ambitious science-based targets

BioMar embraced the Science-Based Target Initiative in 2021 and kicked off the process of setting science-based targets for reducing greenhouse gas emissions. These targets are consistent with the global objective of limiting the rise in temperatures to 1.5 degrees in accordance with the Paris Agreement.

BioMar ran a pilot in 2021 at the factory in Scotland for the purpose of exploring the technologies and investments needed to accelerate the progress towards achieving the 2030 targets across the company's production facilities. The project was followed by a mapping exercise to determine which new technologies and factory upgrades to pursue locally in order to achieve the targets and how to prioritise the investments.

Particular focus is on BioMar's scope 1 emissions, as new technologies such as electrifi-

cation will play a role in reducing emissions going forward. Meanwhile, work has been ongoing in 2021 to implement a shift to other types of fuel. For example, one of the factories in Chile switched fuel from oil to natural gas, thereby reducing its emissions.

With respect to its scope 2 emissions from purchased power, BioMar's production units in Denmark, Chile and Scotland operated on sustainable energy in 2021 through purchases of origination guarantees and similar certificates. As a result, 33% of the electricity BioMar sourced in 2021 originated from renewable sources, and the company achieved a significant reduction of 62% in its scope 2 GHG emissions from 20,056 tonnes CO₂e in 2020 to 7,598 tonnes in 2021.

At the same time, BioMar's total scope 1+2 GHG emissions were reduced from 80,961 tonnes CO₂e in 2020 to 72,403 tonnes in 2021, a fair-sized reduction achieved even with the increase in volumes produced.

Collaboration along the value chain

As part of the work on science-based targets, BioMar launched an initiative to reduce its scope 3 emissions, which are emissions in

the value chain. BioMar has set an extensive target for reducing its scope 3 emissions, but achieving such reduction targets requires extensive commitment as well as knowledge and data sharing with suppliers and business partners. In the overall environmental footprint of the feed, the raw materials typically account for most of the GHG emissions, and more than 95% of total emissions in BioMar's entire value chain are estimated to be scope 3 emissions.

At the same time, BioMar's suppliers are based in many different geographies where work to reduce GHG emissions can



Extrusion technology specially designed for producing shrimp feed in Ecuador

sometimes be at very different stages.

The company devised a methodological approach in 2021, establishing a baseline and ensuring quality data capture. BioMar is now better able to identify where emissions originate and build experience in how to work with suppliers on reducing scope 3 emissions going forward. ✂

Actions and results

Social

BioMar's 2030 ambition within the social area is called 'Enable People'. The objective is to make a positive difference by sharing knowledge, training and creating development opportunities for people through global and local initiatives and projects.

The goal is to engage a total of 100,000 people in projects of this kind every year by 2030. These could be in-house projects for employees, but could also extend beyond BioMar through collaborations with suppliers, development projects in fisheries and agriculture, knowledge sharing with customers and the industry in general, as well as involving local communities close to the company's production units.

Measuring employee engagement

BioMar has developed a firm and structured method for measuring employee engagement, ensuring that the company is focused consistently on employee well-being and engagement, that they are proud of the company they work for and will recommend it to others. A survey with local follow-up questionnaires conducted in 2021 will form the basis of initiatives going forward.

Diversity in focus

As an international business, BioMar works continually to strengthen diversity. The work to ensure diversity at national level comes naturally, and many different nationalities are represented at all management levels of the organisation. Efforts to achieve greater gender equality in management continued in 2021, but as the data collection process has been improved, reporting now covers more managers and the results show that the number of women in management is stable. A woman was appointed to the board of BioMar Group A/S, changing the gender distribution on the board in 2021 to 20/80. There were no women on the board in 2020.

Detailed mapping of a living wage for employees

A major social focus area in 2021 was to establish a robust system to look into and work with the concept of a living wage. This work is based on Article 23 of the UN Declaration on Human Rights, according to which everyone "has the right to just and favourable remuneration ensuring for himself and his family an existence worthy of human dignity".

Laurence Massaut, PhD, Technical Director LATAM Shrimp Production, and Paola Valdivieso Pinzón, R&D Assistant



BioMar examined closely its approach to a living wage across the organisation in 2021 and in the process thoroughly mapped and updated its remuneration policy, including specific plans for future action.

Lost-time injury frequency rates

There was an increase in the lost-time injury (LTI) frequency rate in 2021 compared with

2020. Most incidents recorded were all of a less serious nature. The overall LTI frequency rates are generally low, and BioMar is strongly committed to keeping industrial injuries and their resulting negative impact at a minimum by conducting root cause analysis and establishing action plans.

Actions and results

Governance

BioMar's ambition for innovation is centred on circular and restorative raw materials. Through innovation and by working with industry partners, BioMar wants to contribute to redefining conventional fish feed. Already known as an innovative partner, BioMar is setting high standards for the development of new, innovative feed types through its ambition of using at least 50% circular and restorative raw materials by 2030.

Circular raw materials are defined as either by-products or waste streams applied to utilise resources in the best way possible, while restorative raw materials are defined as raw materials that in being produced have a net positive environmental effect, for example by binding CO₂ or by restoring degraded soil.

New online training system

One important aspect of governance is work on anti-corruption. In 2021, BioMar set up a system for online training in anti-corruption, fair competition and good business ethics for relevant employees across the organisation. The system automatically invites new employees for training, including a follow-up, as part of their onboarding. It also provides a full overview of which employees have read

BioMar is constantly working to develop new innovative feeds



and understood the relevant policies, such as BioMar's code of conduct 'The Right Way'. BioMar updated its Code of Conduct in 2021 and is therefore unable to report data on the number formally confirming adherence to the policy in 2021, but will do so in 2022. Also in 2022, BioMar plans to run a more comprehensive training programme for managers and key employees involving areas such as business ethics, bribery, competition law, human rights and conflicts of interest.

New supplier declarations

In order to create a platform for the next generation of sustainability standards in aquaculture, BioMar updated its Supplier Code of Conduct in 2021, establishing new supplier declarations for the most essential raw materials. BioMar has a well-established system for maintaining high standards of responsibility among the company's suppliers. In updating its Code of Conduct, BioMar defined more specific requirements in the areas of human rights and the environment. Supplier support for the Code of Conduct remained at 100% in 2021, bearing witness to the company's well established practice in this area. ✖

Fibertex

Personal Care

🔄 Sustainable is Possible. We reimagine, reduce and reuse
to enable future fit solutions for our industry

2.2

DKK bn revenue in 2021

Fibertex Personal Care is one of the world's largest manufacturers of nonwovens textiles and nonwovens textiles with customised print for the personal care industry.



Production units in

Denmark, Malaysia, the USA and Germany

1,700

tonnes CO₂e of GHG emission savings annually thanks to the new solar panels in Malaysia

800

employees

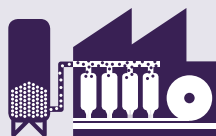
Fibertex Personal Care's business model

Fibertex Personal Care is among the world's largest manufacturers of spunmelt nonwovens and printed nonwovens and is a supplier to some of the world's leading diaper, sanitary towel and incontinence product brands. As both business areas offer customised solutions, the products are subject to tough requirements in terms of safety, health and comfort. ✕



PROCUREMENT

Fibertex Personal Care procures polymer granulates, primarily polypropylene (PP) for its production units in Denmark and Malaysia.



PROCESSING

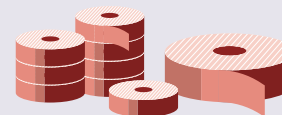
The raw materials are processed by extrusion (heating) into long fibres, which are then sprayed onto a fast-moving belt where they are fused together by heat treatment to form a thin piece of nonwoven fabric.

The rolls of nonwoven fabric are then cut and wrapped.



PRINT

In addition to printing on its own nonwovens, Fibertex Personal Care also offers to print on the products of other nonwovens manufacturers under its Innovo Print brand.



LOGISTICS

The finished rolls of nonwoven fabric, with or without print, are shipped to customers through external logistics solutions via air, sea or road.



CUSTOMERS

Fibertex Personal Care supplies multinational customers in the hygiene industry with own brand and/or private labels. Customers use the nonwovens combined and other components to manufacture baby diapers, sanitary towels and incontinence products, which are then distributed to consumers via supermarkets, public institutions or more recently online distribution channels.

2030 ambitions

▶ "Sustainable is Possible". This is the slogan of Fibertex Personal Care's new sustainability campaign, which was launched on its website and at trade fairs during 2021. The campaign expresses the mindset of Fibertex Personal Care to improve and constantly strive for more, because it is indeed possible, even in an industry where the main raw material is an oil-based plastic product. In 2021, these efforts led Fibertex Personal Care to draw up three strong ambitions for 2030. ✂



Reduce GHG emissions

Achieve zero emissions from energy use in operations



Aspire for a future-fit workforce

An engaged workforce able to practice inclusion and a sustainability mindset



Enable green transformation

Enable customers to reduce their GHG footprint through material innovation



Environment

As manufacturing nonwovens has a significant climate footprint, Fibertex Personal Care has set ambitious targets for reducing its GHG emissions. First, the goal is to reduce to zero the GHG emissions from the energy consumption of its production units by 2030, and second, to start up active collaboration along the value chain.

Innovation along the value chain

Being a part of a large value chain, Fibertex Personal Care is able to collaborate and innovate with suppliers and customers to implement large changes by facilitating transformation to less climate-damaging products and solutions.

In this context, Fibertex Personal Care has set the very challenging target of reducing by 25% the climate footprint of the finished hygiene product. The company will only be able to achieve this by collaborating closely with customers, suppliers and other business partners. It will require innovative solutions to reduce the consumption of plastics in the finished product as well as an ongoing conversion to circular raw materials and/or bio-based solutions. But it is possible.

Reduction of GHG emissions

Fibertex Personal Care's total GHG emissions in 2021 were 84,314 tonnes CO₂e, down from 86,482 tonnes in 2020. The reduction was the result of significant improvements at production units, although it was partly offset by an increase in the emission factor of the company's largest production unit, which is in Malaysia. Slightly lower production volumes are therefore ultimately responsible for the fall in total emissions. In order to meet the ambition of zero emission, the company will need to increase the proportion of renewable energy, and that will be a key area in 2022.

Renewable energy is the path to zero GHG emissions

The company is turning its attention to switching to more renewable energy sources. The first step was the installation of PV solar panels at the factory in Nilai, Malaysia, which began in 2020. The system became fully operational in 2021. The solar panels at the factory produce renewable electricity equivalent to about 2,600 MWh per year, leading to a reduction in the GHG emissions from the factory's electricity consumption of 1,700 tonnes. More initiatives are already being planned.



Energy efficiency improvements

The work to improve and continuously optimise production comes naturally for Fibertex Personal Care. The company has therefore been focusing on optimising its energy consumption and production processes for many years, and the company is certified to the ISO 50001 energy management standard in both Denmark and Germany and has been so since 2016.

In addition, as part of its efforts on climate impact, Fibertex Personal Care has had possible energy improvement initiatives mapped out and now has a catalogue of projects that will be launched over the next few years to ensure that the ambitious targets can be met. ☒

Actions and results

Social

Fibertex Personal Care's general ambition in the social area is to strengthen and develop the organisation and its employees, so the company can be well positioned to future requirements of an inclusive and a sustainability mindset, including a focused approach to strengthening diversity and inclusion.

A stronger focus on diversity and inclusion

To achieve its ambitions, Fibertex Personal Care aims to strengthen the company's leadership skills and understanding of how diversity and inclusion creates value. The nonwovens industry is generally male-dominated, but Fibertex Personal Care has nevertheless achieved a more equal gender distribution at management level compared to the rest of the company.

Diversity is not just about gender; it is also about promoting greater understanding of diversity and focus on creating equal opportunities for its employees regardless of religion, cultural background or age. The company will continue its efforts to elaborate on and specify targets, focus areas and actions to be taken in 2022.

Muhammad Asrul Fazli Bin Abdul, Senior Print Specialist, Malaysia



Ergonomics and reduction of lost-time injuries

Fibertex Personal Care has a strong focus on health and safety at work, not only related to product safety, but indeed also in relation to ensuring good working conditions for employees. The company is continuously

launching initiatives in this area and thus, in 2021, was focused on ergonomics training and on establishing safe access routes to the machinery in several places.

Moreover, in Denmark during 2021, Fibertex Personal Care implemented the new guide-

lines and requirements from the Danish Working Environment Authority on chemical risk assessment, which it is enforcing to ensure that the employees handle and use chemicals responsibly. Fibertex Personal Care continues the favourable trend of previous years, as the LTI frequency rate fell from 9.8 per million working hours in 2020 to 7.0 in 2021, a fair-sized reduction of 28%.

Strengthened focus on human rights

In 2021, a third-party audit was conducted at the company's two manufacturing units in Malaysia. In part, it was due to customer requirements, but the company also wanted to have an assessment made of the standard of the management systems used at its production units. The audit was conducted according to the recognised SMETA (SEDEX Members Ethical Trade Audit) audit format, which covers all aspects of supplier and supply-chain responsibility including environmental protection, occupational health and safety, human rights and business ethics.

The audit assessed current practices as good overall and highlighted opportunities to further reduce risks. The audit also provided input for further work regarding the company's social efforts, which will be implemented on an ongoing basis to support the ambition of a workforce fit for the future. ✕

Actions and results

Governance

Roll-out of new supplier management system

Fibertex Personal Care updated its Supplier Code of Conduct in 2019, and this area is an ongoing priority. The system was implemented in Denmark and Malaysia in 2020, and work continued in 2021 when the system was also rolled out at the factory in Germany. On account of the challenges related to the COVID-19 pandemic, the rollout in the United States has been postponed until 2022, after which efforts will be made to ensure regular improvements. In connection with the implementation of the new system, the number of suppliers that have now approved the Supplier Code of Conduct increased from 92% in 2020 to 95% in 2021.

Visibility and social responsibility

For many years, Fibertex Personal Care has been a member of SEDEX (Supplier Ethical Data Exchange), a well-established online platform that allows suppliers to maintain data on ethical and responsible practices for businesses and to share this information with their customers in order to facilitate collaboration along the supply chain.

Wanting to better address the growing need for transparency and accountability, Fibertex Personal Care decided to register all five production units to the EcoVadis collaboration platform in 2021. EcoVadis is an independent assessment agency that evaluates, rates and ranks companies' sustainability performance on a global basis. All members receive an annual performance rating and the first sustainability rating of Fibertex Personal Care is expected to be available in spring 2022.

Updating the internal code of conduct

Every year, employees for whom it is relevant are trained in the Fibertex Personal Care Code of Conduct, which includes a section on anti-corruption, guidelines on receiving gifts, fair competition and general business ethics. This internal Code of Conduct is scheduled to be updated in 2022 to reflect developments in the field. Employee training is underway and will continue in 2022. [✕](#)



Working with local schools on a biodiversity project

Fibertex Personal Care has established an 8,000 m² flower meadow on a fallow field located next to the factory in Ilsenburg, Germany, and initiated a project with local schools to develop the children's understanding for biodiversity.

An employee survey conducted at the production unit in Germany invited employees to come up with new and different ideas for projects with local partners. As the unit is located close to the large Harz National Park (part of Natura 2000 – the European nature conservation network), it seemed self-evident to launch a project that would support biodiversity and at the same time help raise awareness about protecting the natural environment. Based on one such idea, a project was

started with the motto 'Bees – Flowers – Orchards', all of which are important building blocks of the Harz National Park. Local schools were also invited to participate in the project. Beehives have been installed in the middle of the nearby field, and besides providing new habitats for bees, the project also provides employees, visitors and school children with organic honey. Partnerships with local schools mean that the flower meadow is now used as a green classroom where pupils can see, learn about and raise awareness of natural ecosystems.

Fibertex

Nonwovens

⌋ ⌋ We pioneer and innovate the way industries work
with nonwovens and performance materials

1.8

DKK bn revenue in 2021

Fibertex Nonwovens is a leading
manufacturer of advanced nonwovens
solutions



Production units in

Denmark, France, the Czech Republic, Turkey,
the USA, Brazil and South Africa

Recycled materials

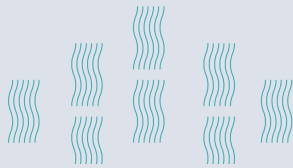
will facilitate a significant reduction
of GHG emissions

1,050

employees

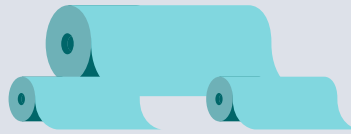
Fibertex Nonwovens' business model

Fibertex Nonwovens is a globally leading manufacturer of nonwovens, i.e. fibre sheets produced on high-tech processing facilities. Nonwovens have a large number of applications, for which the material provides unique properties, and it can form part of an end product or be integrated in a customer's manufacturing process. Nonwovens may be used to reduce noise and improve comfort in cars, or for acoustics solutions in construction and to produce less resource-intensive wind turbine blades and filtration solutions to improve the indoor climate.



PROCUREMENT

Fibertex Nonwovens produces nonwovens from fibres made from various materials, such as polypropylene, viscose, recycled and new polyester and cotton. The company uses additives to give the materials certain unique properties.



PROCESSING

Fibertex Nonwovens applies three main technologies in manufacturing nonwovens for high-tech processing facilities: needle punch, spunlace and thermal bonding. In the needle punch process, fibres are carded, intertangled and needled together, while the spunlace technology uses high-speed jets of water to entangle the fibres. Thermal bonding is a process to melt the fibres together. In addition, nonwovens can also be put through various post-processings, including heat, impregnation, coating and lamination.



LOGISTICS

Fibertex Nonwovens uses external partners to transport finished materials to customers.



CUSTOMERS

Fibertex Nonwovens' products can be used for many different applications and are sold to many different customer groups worldwide. Industrial uses include in cars, for filtration, composites, wipes and in construction.

2030 ambitions



Fibertex Nonwovens sets a clear course for the company's ESG ambitions to 2030, defining environmental objectives with targets for reducing GHG emissions, a motivational working environment and innovative sustainability. Specific action plans have been drawn up for each of these areas and will be steadily strengthened over the coming years.



Benchmark for environmental footprint reductions

Reduce cradle-to-gate GHG
emissions by 20%

Increase recycled content by 25%



Nurture the well-being of employees in a highly motivational environment

Support individual development
and focus on diversity

Secure a healthy and safe
environment through knowledge
sharing and the implementation
of best practices



Innovate to facilitate sustainability

Develop next-level products to
create sustainable solutions

Establish closed loop systems
with suppliers and customers
through strong partnerships



Actions and results

Environment

The production of nonwovens is a resource-intensive process, in terms of both raw materials and energy. Therefore, being focused on environmental improvements, reducing resource consumption and enhancing processes at all the company's production units is nothing new to Fibertex Nonwovens. As far back as 2001, the company embarked on the process of becoming certified to the ISO 14001 environmental management standard, which most of the group's production units have now been certified to.

Future-fit with a catalogue of initiatives

The focus in 2021 was primarily to build a shared platform for the production units for the purpose of structuring and prioritising future environmental efforts, ensure knowledge sharing and create greater awareness and climate consciousness across the organisation.

The platform embraces two types of project. One is initiatives that can be readily implemented without in-depth prior analysis. The other is initiatives requiring special investigations into investment and anticipated benefits. The work on environmental improvements in 2021 centred specifically on reducing waste

age in production, better filtration of wastewater, optimising boiler operations, introducing electric forklifts and installing LED lighting. Combined, these initiatives have provided annual energy savings of about 600 MWh.

Energy consumption and GHG emissions

The ambition of a 20% reduction in the cradle-to-gate GHG emissions by 2030 sets the stage for a number of ambitious and wide-ranging initiatives over the coming years. New energy-enhancing initiatives will be introduced, and several of the company's factory sites will switch to renewable energy.

The greatest improvement, however, will be achieved through the raw materials used, including, for example, by switching to recycled polyester. The target is to increase the volume of recycled raw materials by 25% by 2030. Work is also ongoing to standardise and develop a systematic approach at the different production units, so initiatives can be started up and introduced quickly and efficiently.

Fibertex Nonwovens' overall GHG emissions were largely constant in 2021 relative to 2020, reducing marginally from 40,704 tonnes in 2020 to 40,434 tonnes in 2021.



Recycled polyester provides reductions of GHG emissions

Fibertex Nonwovens is able to use a wide range of different fibres in its production processes to create products with a significantly smaller GHG footprint.

One example is the carpet backings Fibertex Nonwovens manufactures and supplies. By using 100% certified recycled polyester, it is possible to reduce the GHG emissions of the raw materials from 2.15 CO₂e kilograms per kilo to 0.45 kilogram CO₂e per kilo of raw material. This remarkable saving of 79% enables Fibertex Nonwovens to implement extensive changes in collaboration with customers thereby reducing the overall climate impact of the end product by a very significant margin.

This development occurred in a year characterised by considerable fluctuations. Production ran efficiently early in the year, but in the second half, demand softened leading to reduced efficiency and energy consumption utilisation.

The company's GHG emissions fell marginally, however, as emission factors in the areas of a number of production units were lower in 2021 than in 2020. ⚙️

Actions and results

Social

Focus on the social area in 2021 is centred on initiatives relating to work procedures and processes. Policies and guidelines were updated, and new approach to reporting was implemented across the organisation.

Also, the course towards 2030 has been charted with targets for employee satisfaction and diversity as well as occupational health and safety. Increasing awareness of these ambitions and making them more specific is an ongoing effort.

Health and safety and focusing on preventing industrial accidents

In 2021, Fibertex Nonwovens rolled out an updated occupational health and safety policy showing the company's commitment to a safe and healthy working environment for all employees. The policy set out what is required and expected of management and employees in order to create a safe and healthy working environment. Concurrently with rolling out the policy, the company was focused on safety at work and on improving knowledge sharing between its production facilities. Several of the production units had external risk assessments prepared and worked out catalogues of preventive measures which will be rolled out in 2022.

The LTI frequency rate is an important priority, including as part of the company's ambitions to secure a safe and healthy working environment. This is an ongoing effort, and the LTI frequency rate fell by 4% in 2021 from 19.8 in 2020 to 19.0.

Employee turnover at Fibertex Nonwovens

Fibertex Nonwovens has generally a low employee turnover, but the company does have a few production units with above-average turnover. In 2021, the employee turnover rate for part-time employees rose from 9%

to 25%, but as the percentage covers a very small number of employees, even a small change will indicate a large fluctuation.

Retaining employees was a focal area in 2021, and initiatives have been introduced to ensure training and retention, including an e-learning system to be used for employee training. The employee turnover rate for full-time staff fell from 17% to 14% in 2021.

Human rights, discrimination and sexual harassment

Respect for basic human rights is an integral part of conducting business at Fibertex Nonwovens. The company's internal Code of Conduct sets out the way the company and its employees are expected to act in respect of human rights, including how the management and the employees should respond to discriminatory actions and behaviour. In continuation of this work, Fibertex Nonwovens adopted in 2021 a separate policy on sexual harassment, emphasising the importance of this issue. The policy makes it clear that sexual harassment is unacceptable and that all employees must be treated with respect.✂

John Bennett, Team Leader, Grenville, USA



Actions and results

Governance

Innovation in the circular economy

In terms of governance and innovation, Fibertex Nonwovens pursues an ambition to create several closed-loop systems through strong partnerships with customers and suppliers, the purpose being to have plastics collected and reused within the same system. Through incentives to recycle, the environmental and climate impact can be reduced.

Anti-corruption guidelines

Fibertex Nonwovens has an internal Code of Conduct, applying to relevant employees, dealing with general business ethics and guidelines for fighting corruption. The Code of Conduct is reviewed on a regular basis and updates are implemented across the organisation, ensuring that all relevant employees understand their responsibilities and the company's position on this issue.

In 2021, 100% of the relevant employees formally confirmed that they comply with the policy. Accordingly, the company has ensured that the employees understand how they should act if they feel in doubt in a particular situation or if they wish to report any potential incidents.

Responsible supplier management

In addition to the internal Code of Conduct, Fibertex Nonwovens has an external Code of Conduct which applies to suppliers and other relevant business partners. With this system comes risk assessments and individual supplier classifications. In 2021, 90% of suppliers had signed the company's Code of Conduct. In 2021, the coronavirus pandemic made it challenging to conduct physical audits, though some were carried out in areas where possible subject to travel guidelines and other restrictions.

Jamie Jean Borja and Cesarino Jeppesen, R&D Project Managers, Nanolab, Aalborg, Denmark



GPV

Accomplish more – sustainably

3.2

DKK bn revenue in 2021

GPV is one of Europe's top-10
EMS companies



Production units in

Denmark, Switzerland, Germany, Austria,
Slovakia, Thailand, Sri Lanka and Mexico

4

sales or production units whose energy consumption
is covered entirely by renewable electricity

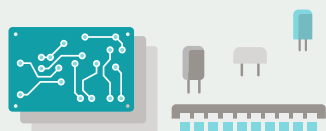
3,900

employees

GPV's business model

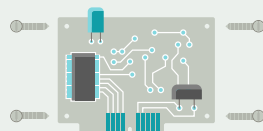


GPV is a leading European EMS (Electronics Manufacturing Services) company. Core products are electronics, mechanics, cable harnessing, mechatronics (combination of electronics, mechanics and software) and associated services. GPV creates value by leveraging benefits of scale in a global production setup and by producing products more efficiently than customers can in-house. The company operates in the high mix/low-medium volume part of the EMS segment. This approach enables more customers to use the same production apparatus, helping to reduce the consumption of resources in society through more optimal capacity utilisation.



PROCUREMENT

GPV sources electronic components and plastic elements as well as steel, copper and aluminium from a range of suppliers. Sourcing is based on customer product specifications and done by order or forecasting from customers.



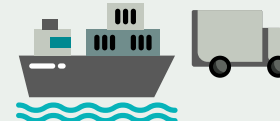
PROCESSING

Materials and components form part of different types of production processes, depending on customer needs. Typically, during a design and test phase, GPV offers to provide specialist knowledge in the production of electronics, mechanics and/or cable-harnessing.



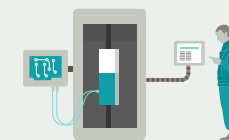
ASSEMBLY

GPV offers complete box-build solutions involving assembly and testing of electronics, mechanics and cables, so customers can skip this process while being assured that their finished products comply with all quality standards.



LOGISTICS

Thanks to its international presence, GPV is able to manufacture products close to where the customers are, ensuring efficient logistics solutions and delivering quickly and true to order. GPV is able to organise freight and logistics in cooperation with external partners.



CUSTOMERS

GPV serves some 300 internationally oriented customers within a range of industries, including industry and instruments and the cleantech, transport and medtech industries.

2030 ambitions

GPV has set ESG ambitions rooted in the core principle of DoMoreWithLess that build on the company's impressive achievements in 2016–2020. The company is working with ambitions under the tagline "more*" and under two of them with specific intermediate targets for 2025 in order to strengthen momentum for the next couple of years. Plans are also to develop KPIs towards 2030 for the other areas.



**More renewable energy,
less scrap, and less resource
consumption**

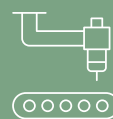
Reduce GHG emission
intensity by 50% by 2025
(Scope 1+2)



**More safety, more welfare,
and more focus on next gen**

LTIFR < 1 in 2025

Develop KPI for welfare
and next gen impact



**More capacity utilisation,
more recycling, and more
sustainable supply**

Develop KPI for capacity utilisation

Develop recycling KPI
and sustainable supply KPI



Actions and results

Environment

Setting an intermediate target for the period to 2025 to reduce emission intensity by 50%, GPV is launching an ambitious effort to reduce its GHG emissions. GPV has for over a decade taken a dedicated approach to energy optimisation and to reducing the energy consumption in its processes.

Increasing use of renewable energy

The company is now applying its long-standing experience in energy optimisation by focusing on GHG emissions. A key element of these efforts will inevitably be the transition to more renewable energy. Since 2020, GPV's units in Austria have been sourcing electricity from renewable sources with guarantees of origin, and the production and sales units in Germany cover their entire electricity consumption with renewable electricity as well.

GPV saw an increase in business activity in 2021 and in combination with a restructuring of activities in Asia has achieved scale benefits that have enabled the company to improve its energy efficiency. However, the overall effect of the increase in activity combined with a spike in the emission factor in Sri Lanka has increased GPV's GHG emissions from 9,207

tonnes of CO₂e in 2020 to 9,860 tonnes in 2021. On the other hand, emission intensity, i.e. tonnes of CO₂e emissions per DKK million of revenue, fell by 3.1% from 3.2 tonnes of CO₂e per DKK million to 3.1 tonnes.

Decisions on installing a solar panel system

The company has decided to install a solar panel system at the factories in Thailand and Sri Lanka in 2022. Due to a combination of business volume and local emission factors, the Asian units are the largest contribu-

tors to GPV's overall GHG emissions, and the solar panel systems are expected to contribute to reducing future GHG emissions by a substantial margin. The savings to be achieved are expected to outweigh the investments.

Working strategically with sustainability

GPV is in the process of mapping the possibilities and initiatives that will form the foundation for achieving the company's long-term objectives of its climate and environmental efforts. These efforts are strategically

anchored in and form an integral part of the commercial business strategy.

GPV is also focused on a more comprehensive environmental agenda with a main focus on, for example, managing and minimising waste in production and continually working on compliance with conflict minerals legislation and European chemicals legislation, the so-called REACH and RoHS regulations as well as other relevant legislation. ⚙️

GPV's electronics factory in Bangkok, Thailand



Actions and results

Social

In 2021, GPV was engaged in the long-term in-house process in 2021 of rolling out and promoting awareness of its core values. These values are the foundation upon which GPV conducts its business, and the focus was on building employee awareness of the values and how they influence the employees in everyday situations. The values create a sense of cohesion and are intended to guide the employees and strengthen the company's 'One GPV' culture.

Employee health and safety

The pandemic continued to impose extra precautions in 2021 and an increased focus on employee health and safety. GPV has production facilities at different locations around the world and the impact of the pandemic has varied from site to site, but it has been absolutely fundamental for the company that employees across countries and units have been able to go to work and return home safely every day. Access to testing has been a priority for GPV, offering employees on-site testing as well as vaccination, in order to keep production running and safeguard employee health and safety.

Kulugammana Wataraka Arabagedara Achini Jayamali, Production Associate, Sri Lanka



All production units certified according to the ISO 45001 standard

Another three GPV production units had their management systems certified according to the ISO 45001 health and safety management standard in 2021. With all GPV

production units now certified according to this standard, GPV is able to document that its production anywhere in the world is compliant with strict health and safety requirements. Nevertheless, the LTI frequency rate increased slightly from 1.9 incidents per

million working hours in 2020 to 2.0 incidents in 2021, triggering an increased focus on initiatives to register near-misses and increase preventive efforts. These are necessary steps, because GPV has the extremely ambitious target of achieving an LTI frequency rate of less than 1 by 2025. In Thailand, for example, the company has appointed another environment, health and safety manager charged with stepping up the focus on HSE going forward.

Human rights and working conditions

While GPV has updated its general risk assessment within human rights, there have been no changes to the company's overall approach of focusing mainly on the production facilities in Sri Lanka, Thailand and Mexico. Compliance with basic human rights, ILO conventions and local legislation is given particular attention at all three sites. GPV wants to continue to be an attractive place to work, and all employees must have decent and well-organised working conditions. GPV will continue its social efforts going forward and pursue new initiatives and ambitions. 🌱

Actions and results

Governance

Capacity utilisation

Consistent with the overall objective to DoMoreWithLess, a fundamental business principle for GPV is for its factory sites to have very high production capacity utilisation rates so as to maximise the value-to-resources ratio. Prior to 2021, GPV did not have a specific capacity utilisation target, but one will be defined going forward to 2025.

Supplier management and Code of Conduct

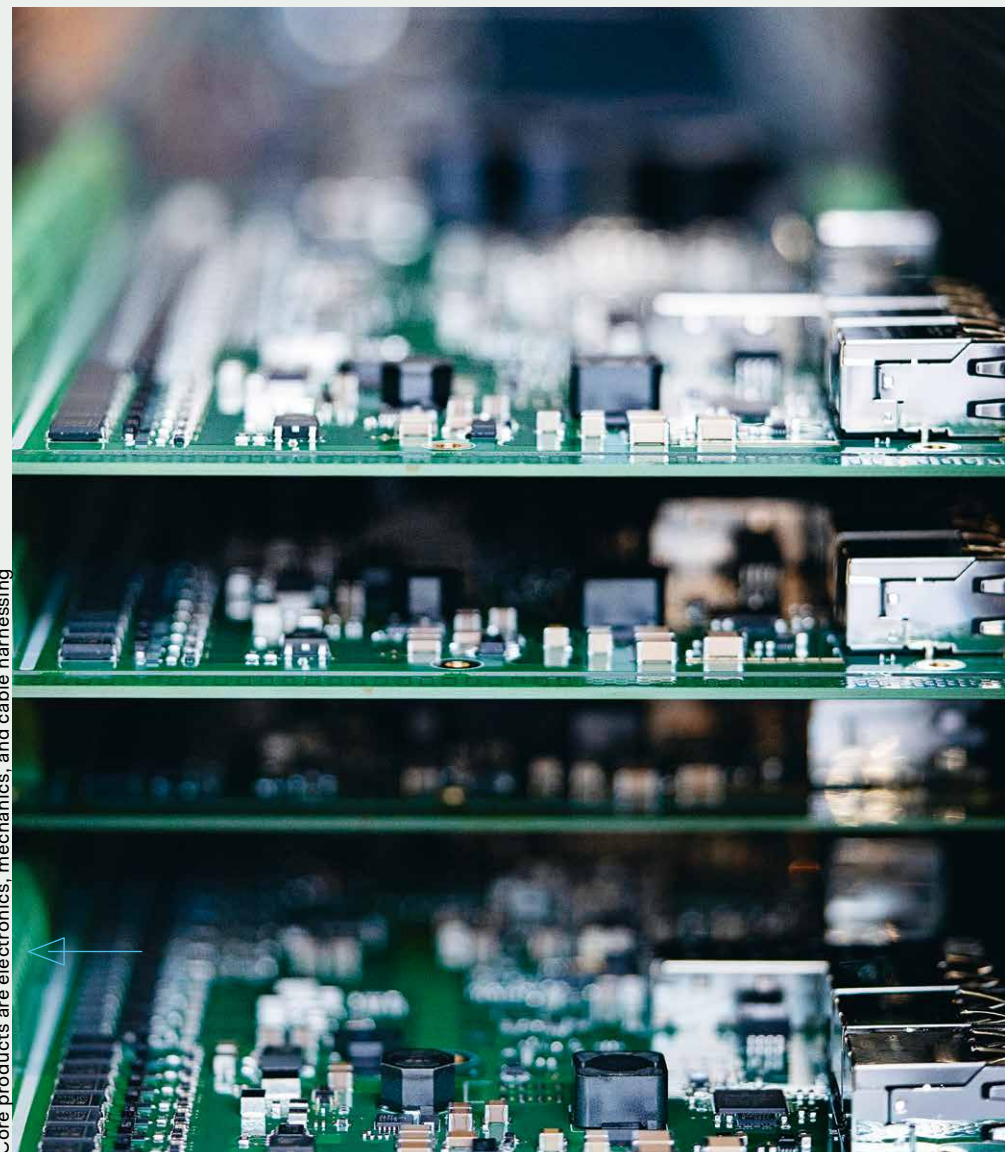
Considering the challenges in 2021 involving shortages of components and materials as well as issues involving logistics, focus has been directed at suppliers. The main priority has been to perform on all contract and agreements and to ensure timely delivery to customers but in a responsible way. Some of these efforts required extra work to ensure that both existing and new suppliers comply with the requirements and standards that apply. GPV has a large number of suppliers as the company makes a wide range of products for its customers, and many of these products include highly specific components. On account of the scarcity of materials, it has been necessary to identify new suppliers, but responsibility in the supply chain has been a

priority as well. The extra efforts that these special circumstances have brought on, has shown that it was possible for GPV to increase the share of suppliers with a signed Code of Conduct from 42% to 62% in 2021 measured in value of purchase, despite the challenging situation.

New training system

GPV acquired a new e-learning system in 2021, and after being tested in the spring, the system has now been rolled out across the organisation. The system is used to train employees in cybersecurity, anti-corruption and general business ethics based on the company's general Code of Conduct. The programme is ongoing, and relevant new employees are required to complete the course when they start their employment with GPV, and existing employees have to complete regular follow-up sessions. ✕

Core products are electronics, mechanics, and cable harnessing



HydraSpecma

⌋⌋ Making Power & Motion Green

2.3

DKK bn revenue in 2021

HydraSpecma is a manufacturing, trading and engineering company specialising in Power & Motion whose core business is hydraulic components and systems for industry and the aftermarket.



Production units in

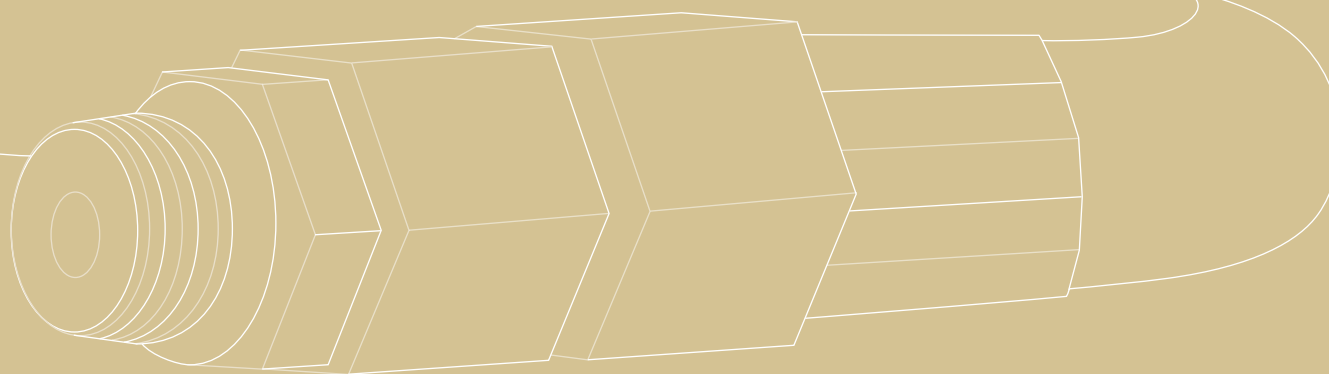
Denmark, Sweden, Finland, Norway,
Poland, China, India and Brazil

Hybrid solutions

comprising both hydraulics and electrification
will take on added importance going forward

1,200

employees



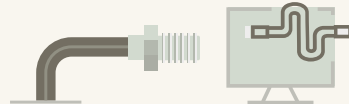
HydraSpecma's business model

HydraSpecma is a manufacturing, trading and engineering company specialising in Power & Motion whose core business is hydraulic components and systems for industry and the aftermarket. The company generates value by providing technical advisory services, fast delivery and by having the most comprehensive product range in the market.



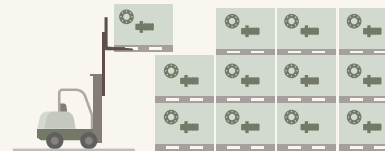
PROCUREMENT

HydraSpecma purchases and stocks a range of components and materials so customers can be continually serviced. Materials typically include aluminium for further fabrication, hoses and pipes as well as a wide range of hydraulic and electrical components.



PROCESSING

Materials and components may be worked into made-to-order hydraulic blocks, complete hose solutions or customised piping. Fabricated products are often combined with procured components to produce total system solutions, whether fully hydraulic, fully electric or hybrid solutions.



LOGISTICS

A key aspect of HydraSpecma's business model is service and logistics solutions so customers around the world can be serviced quickly and efficiently. HydraSpecma offers day-to-day delivery in Denmark, Sweden and Finland, for example. Globally, HydraSpecma's approach is "In the region – For the region".



CUSTOMERS

HydraSpecma supplies solutions and components to a wide variety of industries as well as many global leaders in wind turbines, construction equipment, trucking, the agricultural sector and other forms of vehicular or stationary plant.

2030 ambitions

'Our Future – our responsibility' is the mantra that pervades HydraSpecma's work with sustainability and responsibility. The company shoulders its share of responsibility for our common future and has set an ambitious course for its ESG efforts going forward to 2030 with the introduction of the HydraSpecma ESG ambitions for climate and the environment, the social area, along with a responsible value chain approach.



Active effort on climate in-house and in the value chain

Reduce GHG emission intensity
by 50% by 2030 (scope 1+2)

Reduce GHG emission intensity by
45% by 2030 (scope 3)



Attractive place to work with high employee satisfaction and strong safety culture

LTIFR < 2

Employee satisfaction rate five
points above industry benchmark



Responsible supply chain management and robust due diligence system

Team up with suppliers and
customers to promote sustainability

All contracted suppliers have
signed Code of Conduct



Actions and results

Environment

In 2021, HydraSpecma was focused on drawing up the long-term ambitions and goals that will guide the company towards 2030. In the environmental area, climate change is a major issue. As a supplier to the wind turbine and other industries, HydraSpecma has a number of customers who require that their suppliers set ambitious targets and launch concrete initiatives in this area.

Through the launch of its new ESG targets to 2030, HydraSpecma clearly demonstrates that it is capable of meeting those requirements. With a goal of reducing scope 1+2 emission intensity by 50% by 2030 and its scope 3 emission intensity by 45%, HydraSpecma is truly pushing for a reduction of GHG emissions and their negative impact on the climate.

Switch to renewable energy

HydraSpecma has for the past many years been working to optimise and reduce energy consumption, including by gradually upgrading its machine park to newer and more efficient models. Meeting the ambitious reduction targets requires an extra effort and by switching to renewable electricity at several of its production units, HydraSpecma will take

a substantial step in reducing its GHG emissions. Plans are to switch to using electricity from renewable sources at the company's largest unit in Skjern, Denmark, and the recently opened Techcenter in Ishøj, Denmark and the production facilities in Gothenburg, Sweden have both installed solar power systems. The full effect of these steps will only feed through to the emissions data in 2022, and due to an increase in business activity, HydraSpecma's overall GHG emissions rose from 1,591 tonnes of CO₂e in 2020 to 1,906 tonnes in 2021.

Safe management of chemicals and substances in our products

Much of HydraSpecma's work in 2021 was focused on addressing EU legislation governing the substances and chemicals contained in products. Efforts have involved the so-called REACH regulation, which lays out the rules for a number of substances in products that are traded within the EU, as well as the RoHS directive, which targets hazardous substances and chemicals in electronic equipment. The directives set out a number of documentation requirements, resulting in a lot of work in 2021 for a company like HydraSpecma with its extensive catalogue of item numbers.



Other specific initiatives include preparing the production unit in India for certification to the ISO 14001 environmental standard, which it expects to achieve in 2022.

Electrification and hybrid solutions

Electrification is a general theme at HydraSpecma that will gradually become increasingly important going forward. Hydraulic solutions are still the best fit for many functions, and HydraSpecma expects an increase in various hybrid solutions over the coming years.

Hybrid solutions combine parts that benefit from electrification with solutions that remain hydraulic to better serve the physical function. HydraSpecma can contribute essential know-how for optimising the hydraulic system and for developing and launching electrified solutions.

Actions and results

Social

Driven by 2030 ambitions to ensure a low LTI frequency rate of less than two incidents per million working hours and to improve employee satisfaction, HydraSpecma has taken considerable steps to ensure it will remain an attractive workplace and that employees are looked after no matter where they are in the world.

New employee satisfaction measurement

By establishing a new system to measure employee satisfaction in 2021, HydraSpecma upped its efforts to document the work being done in the social area. The system provides a defined method for gathering data across numerous areas relating to employee satisfaction and well-being. Going forward, the employee satisfaction survey will be conducted at least once a year and used as a benchmark for the initiatives launched for employees across HydraSpecma. The new system allows the company to compare with peers on relevant parameters and to continually follow improvements.

Ambitious target for occupational safety

The LTI frequency rate forms part of HydraSpecma's overall ambitions going forward to 2030. The ambitious target is for

Dan Li, Hose fitter, Tianjin, China



the rate to be less than two injuries per million working hours. HydraSpecma reduced the rate from 8.2 incidents in 2020 to 7.9 incidents in 2021. The incidents that occurred in

2021 were primarily hand injuries and the like and of a less serious nature, but the target of having an LTI frequency rate below 2 requires continuous attention on preventive actions

and a sound safety culture. The general working environment and, not least, a sound safety culture are areas of considerable focus. That is also why HydraSpecma continually works to educate employees in risk assessment and channels resources throughout the organisation to maintain a strategic focus on the working environment and safety. HydraSpecma has also introduced a number of initiatives at its production units.

Focus on external relations in work on human rights

HydraSpecma generally has a low risk of human rights violations, as much of its production is located in the Nordic countries, where the risk of contravening laws and norms is generally minimal. However, certain production units carry a higher risk, for example in India, where the company naturally has a great deal of focus in-house on employee rights and general working conditions. External partners are addressed under the section on supplier Code of Conduct. ✂

Actions and results

Governance

Suppliers are essential for HydraSpecma to be able to deliver the right products, the right service and in the right quality to customers. The large number of suppliers and the flexibility in the choice of components means a constant effort is required to ensure good practice in the area, and this is part of one of HydraSpecma's overall ESG ambitions. The company aims to strengthen its supplier relations for the purpose of engaging suppliers to a much greater extent in order to create change and mutual improvements that stretch beyond the products that HydraSpecma buys, including by optimising the amount of materials needed or by finding alternative solutions. This will be combined with a robust and dedicated due diligence system to ensure responsibility throughout the procurement process.

Supplier Code of Conduct

HydraSpecma works continuously with its external suppliers. The company has a system that encompasses Code of Conduct, self-assessments and, under normal circumstances, physical audits at selected suppliers. The audit aspect has been challenged by the coronavirus situation, but HydraSpecma has considered this an opportunity to initiate a general upgrade of its due diligence system.

The goal is that all suppliers under contract should have signed HydraSpecma's Code of Conduct or have in place a Code of Conduct equivalent to HydraSpecma's. The intention is to combine this with new partnerships with both suppliers and customers on responsibility. With a very large number of suppliers, maintaining and ensuring high standards requires a significant and ongoing effort.

Anti-corruption training

Anti-corruption and business ethics training is incorporated into HydraSpecma's processes and is already being regularly conducted for all employees who have external contacts and all new employees for whom the training is relevant. The target of 100% compliance was achieved in 2021. Employees are trained via an e-learning system in HydraSpecma's internal Code of Conduct and specific issues they may have to deal with. This is an area that requires regular revision and HydraSpecma is planning for this in 2022. [✕](#)

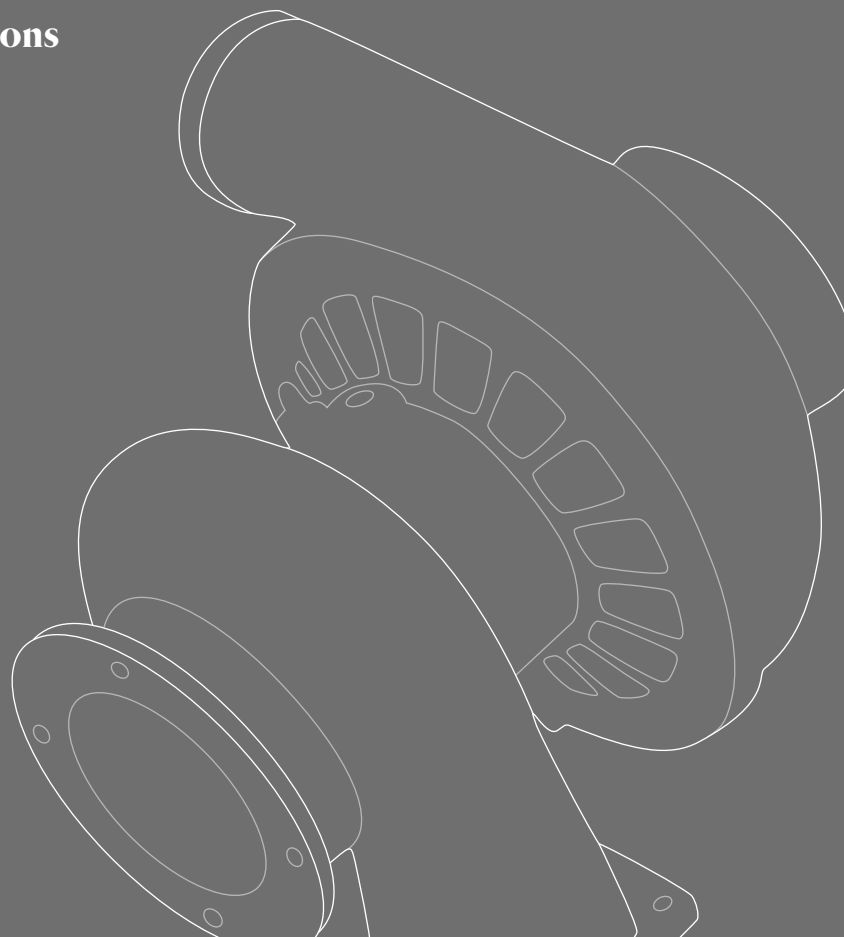


Ejnar Tylvad, Warehouse clerk, Skjern, Denmark

Borg Automotive



We bring new life to vehicles
by providing sustainable
automotive solutions



1.4

DKK bn revenue in 2021

Borg Automotive is Europe's largest
independent automotive remanufacturing
company



Production units in
Poland, the UK and Spain

Remanufacturing saves more than

80%

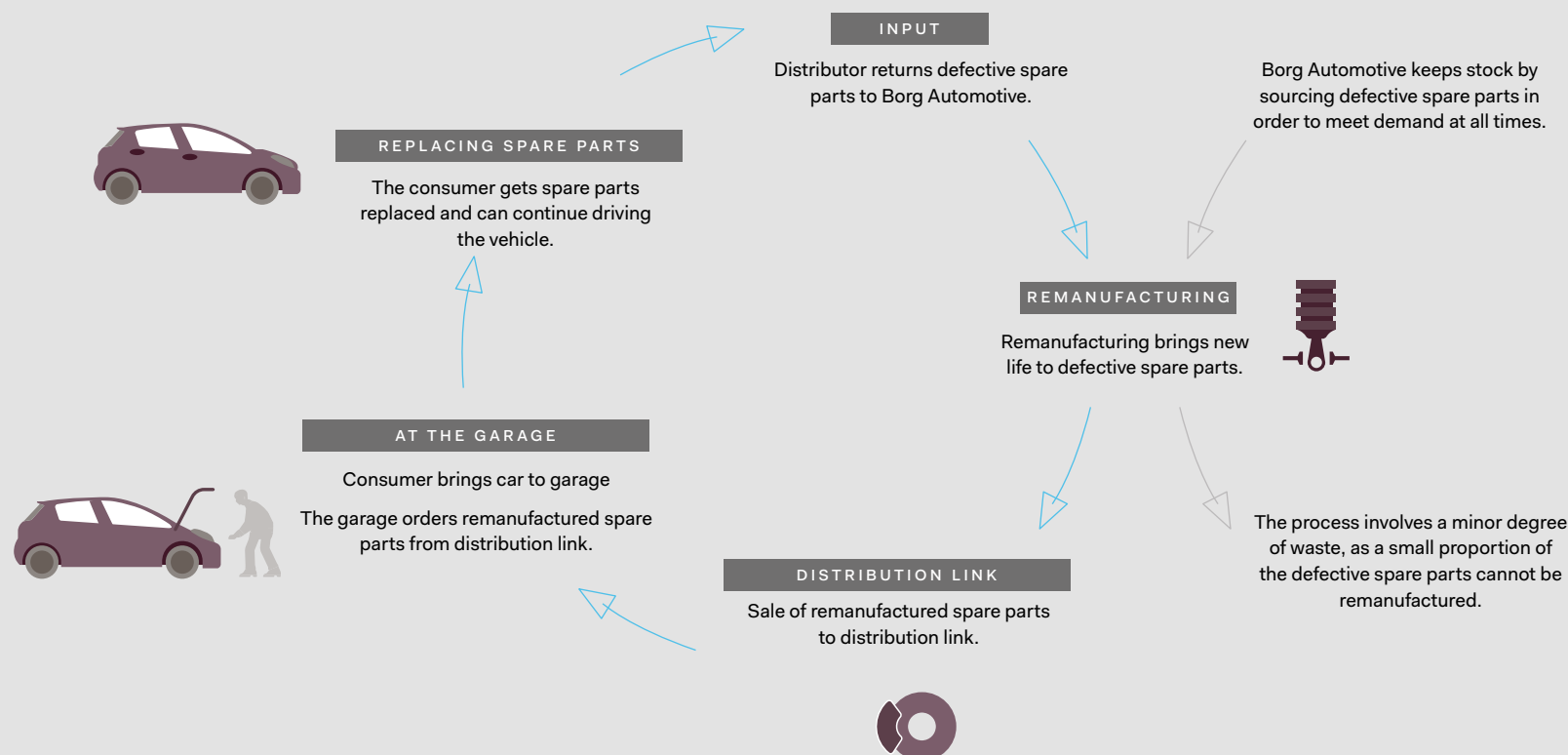
of material consumption

1,850

employees

Borg Automotive's business model

Europe's largest independent remanufacturing company, Borg Automotive remanufactures, sells and distributes automotive parts to the European market. Borg Automotive's circular business model is based on sales of remanufactured high-quality auto spare parts combined with a return system that is the platform for the recirculation of products.



2030 ambitions

Borg Automotive's circular business model implies a comprehensive focus on sustainability and responsible conduct. Through market operations and growing customer demand for responsible and sustainable solutions, the company supplies products that have less of an environmental impact than new parts. Borg Automotive aims to reduce its GHG emissions going forward to 2030 and plans to prepare a lifecycle analysis for remanufactured automotive spare parts in 2022. The company also aims to reduce its LTI frequency rate and increase employee satisfaction over the next five years.



Limit climate impact of in-house production

Reduce GHG emissions
from in-house production
by 30% by 2030



Caring for the employees

Increase employee satisfaction by
5% over the next five years

Reduce LTIFR by 30% by 2025



Circular products, saving CO₂

By 2022, be able to quantify
the CO₂ savings for
remanufactured products



Actions and results

Environment

Borg Automotive is working to quantify the GHG emission of a remanufactured product in terms of materials and processes. A remanufactured product involves less consumption of materials and energy compared with new products and Borg Automotive intends to document the lower environmental impact through a detailed lifecycle analysis of remanufactured products. Work on the analysis commenced in 2021 and is expected to be completed by the end of 2022.

Two major expansion projects

Borg Automotive is a growing business, and through acquisitions made in 2020 and 2021, both its energy consumption and GHG emissions have increased. The company's GHG emissions in 2021 were 4,395 tonnes CO₂e, compared with 3,689 tonnes in 2020. Having set a goal of reducing its scope 1+2 GHG emissions by 30% by 2030, Borg Automotive will need to increase the proportion of renewable energy in production going forward, as the emissions are mainly due to energy consumed. The company will work on this issue going forward.

In addition, Borg Automotive is working to optimise production processes and facilities

with a view to reducing the environmental impact and improving occupational health and safety. In 2021, the company replaced machinery and made changes to processes at the factory in Poland in order to reduce energy and water consumption and the use of chemicals.

For example, the purchase and installation of a new parts washer has optimised

the cleaning processes, increased efficiency and capacity, improved health and safety, reduced chemicals consumption and reduced consumption of water and energy.

Local example of climate proofing

Effects of increasingly extreme weather events are being seen in the local area of the Polish production unit, and it has begun to establish climate proofing measures, as

flooding has previously been a problem in the area. The company teamed up with the local authority to clean and expand drainage canals near the factory in order to prevent the effect of torrential rain and avoid flooding in the future. ☒

Borg Automotive remanufactures more than 2 million spare parts every year



Actions and results

Social

For Borg Automotive, caring for its employees and their local communities is an important priority, as witnessed by the social initiatives taken by the company in 2021. In addition, safety at work and employee satisfaction are two major focal areas for the period to 2030, through which Borg Automotive aims to continue to have reliable and dedicated staff, all based on the mantra 'Results are created by people'.

Health and safety at work and industrial accidents

Many of the initiatives the company completed in 2021 were directed at reducing the environmental impact and improving health and safety. For example, by installing new coating booths, sourcing machines for lubrication of various items, switching to a new filling compound and improving employees' working positions, which included reducing manual lifting to a minimum.

These and several minor initiatives help to continuously optimise work procedures and processes, having the dual effect of supporting employee well-being and reducing the environmental impact.

Borg Automotive had an LTI frequency rate of 12.0 incidents per million working hours in 2020, and the many initiatives implemented helped to reduce the rate to 10.3 in 2021. Borg Automotive has defined a target of reducing the LTI frequency rate by 30% by 2025 to below 8.4 per million working hours and will continue to allocate resources for this purpose.

Collaborating with a local prison

Borg Automotive's Polish subsidiary began an unusual partnership with a local prison, which is expected to create synergies for both parties. Prison inmates are given an opportunity to gain practical work experience and earn an income, while Borg Automotive can have simple tasks performed. The project is still in its start-up phase but the parties expect to expand the partnership during 2022. The project is a good example of how creative thinking and social responsibility can benefit both society and the company.

Educational institutions

Every year, Borg Automotive organises the Reman Challenge, a competition where European university and PhD students compete to solve an assignment involving remanufactur-

Joanna Stańczyk, Electromechanic, Zduńska Wola, Poland



ing. The topic in 2021 was 'modelling end user behaviour when purchasing remanufactured products', with a total of 72 students competing in 28 teams. The competition gives Borg Automotive valuable insights in the topic and increases awareness of the company for recruitment purposes.

Participating students gain experience in solving challenges arising for businesses, they

receive a certificate when the competition is over, and the winning and runner-up teams each win a cash prize.

In addition, the production unit in Poland cooperates actively with universities and other educational institutions, typically on solving production technology assignments through which students gain work experience.

Actions and results

Governance

Borg Automotive's acquisition and expansion activity has relied on a well-structured system able to accommodate the smoothest possible business integration process and maintain the company's high quality standards and market position. It took a comprehensive effort in 2021 to align processes, reposition IT systems, implement new work processes, onboard new employees and create a common understanding between different cultures. As a result, Borg Automotive is now in an even better position to make future acquisitions and integrate more businesses. Going forward, the company will focus on having efficient processes and systems that are consistent with Borg Automotive's values: responsibility, competence, interdependency, transparency and continuous improvement.

Common support for Code of Conduct

A key issue in 2021 was to further develop and strengthen procedures for implementing a Code of Conduct and a due diligence system for Borg Automotive's suppliers. As a result of these efforts, 86% of suppliers have now formally agreed to comply with Borg Automotive's Code of Conduct, up from 77% in 2020.



Dariusz Klemczak, Warehouse clerk, Zduńska Wola, Poland

Efforts to implement due diligence processes will continue in 2022, and Borg Automotive is planning to step up the work going forward. Today, the company performs extensive supplier screening and conducts on-site checks at selected supplier locations, but the coronavirus situation has resulted in a decline in follow-up activities. The company expects to restart these efforts going forward.

Anti-corruption and data security

An e-learning platform acquired in 2021 will be implemented across countries and functions. Relevant employees will be introduced to the first module, which deals with fair competition, followed by a module on business ethics and anti-corruption, GDPR, among other topics. The objective is to ensure compliance with as well as awareness and documentation of the company's policies, guidelines and values among the growing number of employees in several countries. [↗](#)



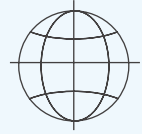
ESG

Data overview

At Schouw & Co., ESG reporting is an area that is constantly evolving as both Schouw & Co.'s and general reporting practices gradually mature. In 2020, the Group introduced a new common frame of reference inspired by Nasdaq's ESG Reporting Guide 2.0 and defined a common set of performance indicators across the E, S and G criteria. The 2021 ESG report will continue to build on these performance indicators, now presenting figures for a two-year period. As reporting has gradually improved, it has been necessary to make a few adjustments. Overall, however, the aim is to apply the same approach to ensure that figures are comparable over time. Consolidation of this type of data across a diversified conglomerate still presents challenges, but the aim is to be transparent and to present data in the best possible manner. Each area is followed by a section on accounting policies and comments to ensure this.

See the tables on following pages for consolidated ESG data broken down by the environmental (E), social (S) and governance (G) reporting.

Environmental reporting 2021



	BioMar		Fibertex Personal Care*		Fibertex Nonwovens		GPV		Hydra-Specma*		Borg Automotive		Group*	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Revenue (DKK M)	13,300	11,649	2,249	2,118	1,814	1,791	3,191	2,887	2,315	1,977	1,368	871	24,219	21,273
Alternative business-specific output scaling factor (tonnes)	Feed		Nonwovens and print		Nonwovens and fibre		n/a		n/a		n/a		n/a	n/a
	1,480,026	1,362,195	140,910	143,357*	75,254	75,860	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Total greenhouse gas emissions (tonnes CO₂e)	72,403	80,961	84,314	86,884	40,434	40,704	9,860	9,207	1,906	1,591	4,395	3,689	213,331	223,050
Scope 1 (tonnes CO ₂ e)	64,805	60,905	4,288	4,287	13,174	12,839	773	815	363	377	634	473	84,036	79,696
Scope 2 market-based (tonnes CO ₂ e)	7,598	20,056	80,026	82,597	27,260	27,866	9,087	8,392	1,544	1,214	3,761	3,216	129,295	143,345
Scope 2 location-based (tonnes CO ₂ e)	25,258	-	80,026	-	27,260	-	9,270	-	1,544	-	3,761	-	147,148	-
Total greenhouse gas emissions per DKK million revenue	5.4	7.0	37.5	40.8	22.3	22.7	3.1	3.2	0.8	0.8	3.2	4.2	8.8	10.5
Total greenhouse gases per alternative scaling factor	0.05	0.06	0.60	0.61	0.54	0.54	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Total energy consumption (MWh)	417,265	382,935	190,175	191,773	163,398	160,938	27,402	26,278	14,637	11,063	11,408	8,413	824,506	781,567
Direct energy consumption, scope 1 (MWh)	282,448	262,546	23,223	21,075	64,513	62,900	3,243	3,350	1,713	1,733	3,094	2,337	378,235	353,941
Indirect energy consumption, scope 2 (MWh)	134,817	120,390	166,952	170,698	98,885	98,038	24,158	22,928	12,924	9,330	8,314	6,076	446,271	427,626
Total energy consumption per DKK million revenue (MWh)	31.4	32.9	84.6	90.5	90.1	89.9	8.6	9.1	6.3	5.6	8.3	9.7	34.0	36.7
Total energy consumption per alternative scaling factor (MWh)	0.28	0.28	1.35	1.34	2.17	2.12	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Share of renewable energy	33%	-	0%	-	0%	-	4%	-	0%	-	0%	-	10%	-
Total water consumption (m³)	662,133	669,978	188,933	193,815	181,907	210,385	97,534	94,299	10,813	12,457	21,916	18,596	1,163,416	1,199,720
The company adheres to a formal environmental policy	⊕	⊕	⊕	⊕	⊕	⊕	⊕	⊕	⊕	⊕	⊕	⊕	⊕	⊕
The company adheres to a specific waste, energy and/or recycling policy	⊕	⊕	⊕	⊕	⊕	⊕	⊕	⊕	⊕	⊕	⊕	⊕	⊕	⊕
The company uses a recognised energy management system	⊕	⊕	⊕	⊕	⊕	⊕	⊕	⊕	⊕	⊕	⊕	⊕	n/a	n/a
The Board of Directors monitors and/or manages climate-related risks	⊕	⊕	⊕	⊕	⊕	⊕	⊕	⊕	⊕	⊕	⊕	⊕	⊕	⊕
Senior management monitors and/or manages climate-related risks	⊕	⊕	⊕	⊕	⊕	⊕	⊕	⊕	⊕	⊕	⊕	⊕	⊕	⊕

*Recalculation of 2020 figures based on enhanced data

Group figures also include parent company

Environmental reporting 2021

Comments

Energy consumption and GHG emissions

The Group's total energy consumption rose by 5.5% from 2020 to 2021. The increase was attributable to an increased level of activity, particularly at BioMar, GPV, HydraSpecma and Borg Automotive. The Fibertex businesses generated largely identical volumes, but due to major differences during the year, especially at Fibertex Nonwovens, it was not possible to maintain energy efficiency at an equally high level during the periods of slow-down caused by fluctuations in demand.

Despite an increase in energy consumption, the Group successfully reduced its greenhouse gas emissions through a greater focus on renewable energy across the Group. Already this year, BioMar achieved a 62% reduction of scope 2 emissions compared with 2020, attributable to a switch to renewable energy in Chile, Scotland and Denmark.

Greenhouse gas emissions from the two Fibertex businesses were at a relatively constant level year on year with a few dips as a result of a decline in emission factors in certain areas.

GPV introduced several initiatives to reduce emissions. The emission factor in Sri Lanka regrettably rose, however, causing GPV's emissions to rise by about 7%. A decision has been made to install solar panels at the factory extensions in Thailand and Sri Lanka, which is expected to reduce this effect going forward.

At Borg Automotive, emissions are up, driven by greater business activity, expansion and acquisitions that added considerably to the business in 2021.

Adjustment of the 2020 baseline

Both Fibertex Personal Care and HydraSpecma have revised their 2020 figures after a second review of the data basis. The adjustment gave rise to a recalculation of the 2020 figures, which led to a minor increase in the Group's energy consumption and greenhouse gas emissions for the year.

Water consumption

Overall, the Group's water consumption was down by 2.5% despite increased activity at BioMar, a large contributor to the Group's water consumption. The decline in consumption was generally attributable to optimisation initiatives as well as a fall in water consumption at Fibertex Nonwovens owing to changes in the product mix for the year.

Board of Directors

As a recurring agenda item, all boards of directors of the Group's businesses now regularly address ESG, including climate risk in particular. This will be steadily strengthened in step with developments in this area.

Accounting policies

Alternative business specific output scaling factor:

Three of the Group's businesses operate with an alternative specific scaling factor in addition to revenue. This factor is used to calculate emission- and energy intensity in relation to the volume produced, for example the volume of the company's product in tonnes.

For all businesses, the factor is calculated based on the volumes produced, including sub-processes and not the volumes sold. The reason for this is that the energy consumption, and thus consequently the greenhouse gas emissions, follows the production volumes and not sales as included in the consolidated financial statements.

Energy consumption and GHG emissions

Scope 1: Reporting on scope 1 energy consumption and greenhouse gases is based on the definition of emissions set out in the GHG Protocol. Scope 1 covers any direct energy consumption and associated emissions from sources that are owned by Schouw & Co. or our portfolio businesses. Gas, diesel and similar consumption data were gathered by all businesses and reported to the parent company.

For all large sites, figures were calculated based on data on purchases. Consumption figures are multiplied by emission factors obtained using the GHG Protocol calculation tool for stationary consumption and then translated into CO₂ equivalents using GWP factors. In 2020 and 2021, mobile combustion was excluded due to a materiality assessment, but it will be included in our reporting for 2022.

Scope 2: Reporting on scope 2 energy consumption and emissions is based on the definition set out in the GHG Protocol. Scope 2 covers indirect emissions from electricity, district heating or cooling purchased from other sources. Consumption data is gathered for the businesses from energy bills and similar documents for the purpose of calculating the energy consumption. For minor, less significant sales units, consumption is estimated based on an OECD standard factor per FTE, which is added to the data reported.

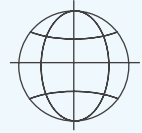
This year, for the first time, the Group reported according to both the market-based and the location-based approaches. The market-based approach reflects emissions from the purchase of energy and is linked to the financial products and agreements on which the purchases are based. These are verified against the quality criteria of the GHG Protocol described in the Scope 2 Guidance. The location-based approach is based on the actual grid to which factories are connected and mainly uses the latest IEA emission factors, while more specific regional emission factors are obtained for some sites. The market-based approach is used for calculation purposes and in relation to targets.

Share of renewable energy: The share of renewable energy is calculated as the share of purchased energy (scope 2) if satisfactory certificates matching an emission factor of 0 for the specific energy consumption are available.

Water consumption: Water consumption data are gathered from sites through meter readings and invoices. For minor sites that are not considered significant, consumption is estimated using a standard factor per FTE. 



Social reporting 2021



	BioMar		Fibertex Personal Care		Fibertex Nonwovens		GPV		Hydra-Specma		Borg Automotive		Group	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Employees														
Average no. of employees (FTEs)	1,445	1,377	777	745	1,055	1,019	3,878	3,611	1,192	1,161	1,848	1,466	10,210	9,393
CEO total compensation relative to FTE average total compensation at group level													60.0	51.2
Male average compensation relative to female average compensation	0.9	1.0	0.8	0.7	1.3	1.4	1.6	1.8	1.1	1.1	1.2	1.3	1.6	1.7
Employee turnover for full-time employees	10%	7%	13%	13%	14%	17%	41%	24%	12%	15%	14%	17%	23%	17%
Employee turnover for part-time employees	11%	15%	18%	19%	25%	9%	9%	6%	24%	14%	6%	9%	11%	8%
Proportion of female employees	21%	21%	16%	17%	23%	23%	61%	60%	22%	22%	36%	35%	39%	38%
Proportion of female employees in managerial positions	20%	20%	25%	34%	23%	20%	34%	34%	16%	17%	26%	16%	25%	25%
Proportion of female employees in senior management and executive-level positions	8%	8%	25%	29%	11%	11%	17%	11%	11%	11%	0%	17%	12%	14%
Proportion of part-time employees	2%	3%	2%	2%	1%	1%	7%	8%	3%	2%	2%	3%	4%	5%
Proportion of temporary workers (e.g. consultants or contractors)	7%	9%	0%	1%	1%	1%	4%	3%	18%	11%	3%	3%	6%	4%
Health and safety														
Fatalities (no.)	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Lost time injury frequency rate (LTIFR) (no. per million working hours)	5.3	3.0	7.0	9.8	19.0	19.8	2.0	1.9	7.9	8.2	10.3	12.0	6.4	6.6
Company follows a policy against discrimination and sexual harassment	⊕	⊕	⊕	⊕	⊕	⊕	⊕	⊕	⊕	⊕	⊕	⊕	⊕	⊕
Company follows a health & safety policy	⊕	⊕	⊕	⊕	⊕	⊕	⊕	⊕	⊕	⊕	⊕	⊕	⊕	⊕
Company follows a policy against child and forced labour	⊕	⊕	⊕	⊕	⊕	⊕	⊕	⊕	⊕	⊕	⊕	⊕	⊕	⊕
The policy against child and forced labour also applies to suppliers and vendors	⊕	⊕	⊕	⊕	⊕	⊕	⊕	⊕	⊕	⊕	⊕	⊕	⊕	⊕
Company follows a human rights policy	⊕	⊕	⊕	⊕	⊕	⊕	⊕	⊕	⊕	⊕	⊕	⊕	⊕	⊕
The human rights policy also covers suppliers and vendors	⊕	⊕	⊕	⊕	⊕	⊕	⊕	⊕	⊕	⊕	⊕	⊕	⊕	⊕

Group figures also include parent company

Social reporting 2021

Comments

Lost time injury frequency rate

For the Group as a whole, the LTI frequency rate fell by 3% from 6.6 to 6.4 accidents per million working hours. Most of the Group's companies saw a reduction in the LTI frequency rate from 2020 to 2021, while BioMar saw an increase. While the injuries were generally of a less serious nature, more attention will be given to near-miss reporting in 2022.

Gender diversity at management level

Registration of management's gender composition has changed in some businesses as reporting is gradually improving. Borg Automotive, BioMar and Fibertex Personal Care have seen changes owing to a new categorisation of managers. As a result of the adjustment, Borg Automotive now has no women in the upper-most tiers of management, but more women with general management responsibilities.

At Fibertex Personal Care and BioMar, more managers are now included in the categories, with men representing the major proportion. As a result, Fibertex Personal Care's share of women with general management responsibilities decreased quite considerably from 2020 to 2021.

The same applies to some extent to BioMar, but the change is counterbalanced by an increase in the share of female managers elsewhere in the organisation, keeping the figure for 2021 on a stable level compared with 2020.

At group level, there was a slight decline in the share of women in the upper-most tiers of management as a result of the changes, while the share of women in managerial positions remained stable.

Employee turnover

The employee turnover rate generally increased at group level, mainly driven by impacts related to the coronavirus pandemic, which continued to leave a mark on the year. Some of our businesses saw major fluctuations in demand, forcing them to adjust their capacity on an ongoing basis. This applied in particular to GPV, which was also affected by the shortage of materials, and this caused the employee turnover rate to grow significantly from 24% to 41% in 2021. GPV may see large fluctuations, which may also be due to tough competition for labour, among other things. This is and will continue to be a focus area and has already led to in-house initiatives being launched.

Accounting policies

Full-time equivalents (FTEs): FTEs are calculated according to the principles used in financial reporting as the monthly average number of FTEs during the year.

LTIFR and fatalities: The total number of accidents, defined as on-the-job accidents that result in an employee being absent from work for a minimum of one day, not including the day of the accident. The rate is calculated per million working hours. Fatalities are defined as deaths caused by accidents on the job or during the performance of work related to the employment relationship. Figures are calculated based on working hours and number of accidents reported by the Group's companies for the year.

CEO compensation relative to average compensation at group level: Compensation paid to the CEO of Schouw & Co. compared with the average compensation paid to the employees of the Group as a whole. Measured at group level only and based on data from the annual account.

Male average compensation relative to female average compensation: The average compensation paid to male employees compared with the average compensation paid to female employees. The average compensation is calculated based on the employees' total salaries broken down by men and women.

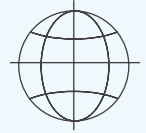
Employee turnover: Employee turnover is defined as the share of employees leaving their jobs as a result of dismissal, resignation, old-age retirement, being employed with another company or death during the year out of the total average number of employees for the year. Figures are reported to the parent company at the end of the year.

Proportion of women in managerial positions: We measure the proportion of women forming part of the general group of staff, the proportion of women in managerial positions and the proportion of women in senior management and executive-level positions. Managers are defined as persons having managerial responsibilities, while the uppermost tier of management is defined as persons in senior management and executive-level positions. These figures are also reported to the parent company at the end of the year.

Proportion of part-time employees and temporary workers: Part-time employees: employees who work less than full time. Temporary workers: employees who are not employed by us, but over and for whom we have operational control and have employee responsibility. They include temporary workers in production, summer staff, etc. These figures are also reported to the parent company at the end of the year. 



Governance reporting 2021



	BioMar		Fibertex Personal Care		Fibertex Nonwovens		GPV		Hydra Specma		Borg Automotive		Parent company	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Board of Directors														
Proportion of women on the Board of Directors *	20%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	17%	17%
Proportion of women in committees*	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	33%	33%
Proportion of independent board members*	40%	25%	0%	0%	0%	0%	50%	50%	17%	0%	67%	60%	33%	50%
CEO is prohibited from serving as board chair	⊕	⊕	⊕	⊕	⊕	⊕	⊕	⊕	⊕	⊕	⊕	⊕	⊕	⊕
Whistleblower system													Group	
Total no. of cases reported													5	4
Cases falling within the scope of the system													4	3
Cases leading to remedial/preventive action													0	0
Cases referred to external bodies													1	0
The company adheres to a data protection policy	⊕	⊕	⊕	⊕	⊕	⊕	⊕	⊕	⊕	⊕	⊕	⊕	⊕	⊕
Suppliers are required to comply with a code of conduct	⊕	⊕	⊕	⊕	⊕	⊕	⊕	⊕	⊕	⊕	⊕	⊕	⊕	⊕
Proportion of suppliers which formally have confirmed their compliance with a code of conduct	100%	100%	95%	92%	90%	80%	62%	42%	60%	60%	86%	77%	n/a	n/a
The company adheres to a policy on anti-corruption and business ethics	⊕	⊕	⊕	⊕	⊕	⊕	⊕	⊕	⊕	⊕	⊕	⊕	⊕	⊕
Proportion of relevant workforce which formally has confirmed its compliance with the policy	-	-	100%	-	100%	-	100%	-	100%	-	-	-	n/a	n/a
The company intends to release a sustainability report or an ESG report**	⊕	⊕											⊕	⊕
The company includes ESG data in statutory reporting	⊕	⊕	⊕	⊕	⊕	⊕	⊕	⊕	⊕	⊕	⊕	⊕	⊕	⊕
The company is focused on a number of selected UN SDGs	⊕	⊕	⊕	⊕	⊕	⊕	⊕	⊕	⊕	⊕	⊕	⊕	⊕	⊕
Corporate income taxes paid (DKKm.)													381	309

* Only includes members elected by the shareholders as calculated at the end of the year

** All businesses are subject to the Group's ESG report

Governance reporting 2021

Comments

Boards of Directors

At BioMar Group A/S, the target of having at least one female board member was achieved in 2021. Also, the percentage of independent board members increased from 25% to 40%. No other changes on the boards of the Group companies have contributed positively to our gender composition targets. There were no changes on the board of directors of the parent company in 2021. The reason for the change in the proportion of independent board members was one of the members now having sat on the board for a period exceeding the 12-year threshold defined in the Recommendations for Corporate Governance.

Responsible supplier management

All businesses have seen an increase in the number of suppliers having signed a declaration of compliance with the companies' supplier code of conduct, despite the supply challenges during the year and many of the businesses focusing their main attention on reliability of supply.

Anti-corruption training

Some of the Group's companies are now able to report on the proportion of relevant workers having formally confirmed their compliance with the policy. The businesses that were able to do so, all reported 100% compliance. At BioMar, a new code of conduct has been drafted and has not yet been formally distributed. The company will be able to report on this figure as part of the 2022 reporting. Borg Automotive also expects to be able to report on this figure as part of the 2022 reporting, once its system has been fully implemented.

Whistleblower system

We are reporting on the Group's whistleblower system for the first time in 2021. We have included figures for the years 2020 and 2021 when the system has been in operation. In 2021, we received a total of five reports, four of which were considered to fall within the scope of the system. Of these cases, one was referred to an external body.

Accounting policies

Board of Directors

Diversity: Proportion of female relative to male shareholder-elected board members for the ultimate portfolio businesses and the parent company. The figure was calculated at 31 December 2021. As there are no board committees in any of the businesses, the number of committee seats occupied by women is only reported for the parent company.

Independence as a board member: The number of independent board members (defined based on the definitions set out in the Recommendations for Corporate Governance) relative to the total number of members in the businesses and in the Group.

Proportion of suppliers having confirmed their compliance with a code of conduct: Measured according to the value of purchases from the suppliers. Approval is defined as having signed the businesses' own code of conduct or has its own policy or code of conduct which is consistent with the requirements of the businesses' codes of conduct.

Anti-corruption: Measured on the size of the relevant workforce, i.e. typically management, sales, procurement and others with external-facing roles who have formally confirmed their compliance with the policy. This year, this was implemented at several of the businesses, which now report on this area to the parent company.

Whistleblower system: The scheme applies to the entire Group. Reporting at group level is based on system data. Data are classified as the total number of reports, including cases falling within the scope of the system, cases that have resulted in preventive/corrective action and cases referred to external bodies. Reporting is based on the calendar year. Cases being reported during the calendar year will be included, but if they remain open in the following year, they will not be reported as preventive/corrective action or as having been referred to external bodies until the following year.

Data protection: Schouw & Co. has a group-wide data protection policy, which all businesses are required to comply with.

ESG reporting: All businesses are covered by the Group's ESG report, which fulfils the requirements of the Danish statutory annual reporting.

UN Sustainable Development Goals: The ESG report includes data on whether the Group's companies have committed to selected SDGs as part of their sustainability and ESG efforts. It is for the businesses to make such assessment, but they are required to provide the Group with documentation in that regard.

Paid corporate income tax: The paid corporate income tax of the year is reported. For more information on accounting practices for taxes, see the annual report. [X](#)

Risk assessment and policies

Risk assessment

In 2021, we updated our general risk assessment across the Group in collaboration with our businesses. When we drafted the general strategic ESG framework at Schouw & Co., all portfolio businesses were required to prepare a materiality analysis on ESG themes. We also included a risk assessment across those analyses, consistent with the categories defined in section 99a.

We chose to apply a so-called double-materiality principle according to which the individual business would not only address its impact on society based on E, S and G, but also how different ESG factors may affect its goals, thus including a risk perspective. For that purpose, the SASB standard served as a source of inspiration to us, together with in-house sources (stakeholder analyses and more). We used this input to update our risk assessment across the Group.

Policies

As a result of the risk assessment, our policies were also updated in 2021. Our policies address the areas that we, based on the materiality analysis, consider to be material, and which the Group therefore takes a position on and issues general guidelines on. Some topics, though considered to be material, have not been addressed in our group policy, but have been addressed by the individual businesses. The updating of the policies led to a change in the overall structure: Our CSR policy now lays down a general framework embracing each of the three areas Environment (E), Social (S) and Governance (G): E: environmental and climate policy S: human rights policy, employment policy and occupational health and safety policy G: policy on anti-corruption and business ethics.

See the table below for an outline of the risk assessment and policy content:

Risk assessment and policies

ENVIRONMENTAL FACTORS(E)

THEME	RISK ASSESSMENT	KEY POLICY POINTS
Environment and climate in general	- As the portfolio businesses are extensively involved in large-scale processing of raw materials, our risks in terms of negative environmental and climate impacts are substantial. - The main environmental risks identified in the process referred to above are energy consumption, and by extension also greenhouse gas (GHG) emissions, as well as the environmental impact of raw materials consumed.	Environmental and climate policy - Schouw & Co. invests in companies extensively involved in large-scale processing of raw materials, which have a major climate and environmental impact both during production and throughout the value chain. It is therefore essential that we take responsibility for this and seek to protect the environment and climate by reducing our negative impact. - We have an obligation both to reduce our negative environmental footprint and to focus on sustainable business models that will support the green transition of society. - The use of energy must be made as efficient as possible, and efforts must be made to increase the share of renewable energy in our overall energy consumption. - GHG emissions must be continuously reduced, and portfolio businesses must set reduction targets, at least for scopes 1 and 2, for 2030. - The use of natural resources must be optimised and rendered as efficient as possible. Life cycle considerations should be factored in whenever meaningful. - Biodiversity must be protected as far as possible, and we must ensure sound management of our ecological impact, e.g. in relation to raw materials. - Waste volumes are to be reduced, and circular principles implemented whenever meaningful. - The water consumption must be monitored, managed and, where possible, reduced, for instance through water recovery or similar initiatives. - Chemicals must be used responsibly, and due diligence processes must be in place to prevent contamination of the surrounding environment. Hazardous waste must be handled correctly and safely. - Significant environmental factors are monitored continuously in the companies and communicated annually through our external ESG reporting. External stakeholders are involved through the companies' materiality assessment and in other relevant contexts. - The Boards of Directors of the parent company and of our portfolio businesses review our environmental and climate performance at least annually.
Energy consumption and greenhouse gas (GHG) emissions	The Group generally has a high energy consumption as a number of the portfolio businesses are operating in the processing industry. The companies use both purchased energy (scope 2) and direct combustion of fuels (scope 1) to varying degrees. This, combined with a number of factory sites in various parts of the world, amounts to substantial GHG emissions, contributing to global warming.	
Natural resources	Several of the raw materials sourced also involve significant environmental impacts, mainly the marine and vegetable raw materials used in fish feed production and various types of plastic granules used in the nonwoven production, which have a high climate impact. The production of various electronic components may also involve both water and climate risks in the value chain.	
Waste	- Risks related to waste vary across the Group. Minimising waste is an important business aspect in the processing industry, and in the production of plastic products, recycled plastics are used where possible according to customer specifications, financial considerations, etc. - Electronics production may involve hazardous waste, which is sought to be minimised.	
Water consumption	The Group's water consumption is considerable, as water is used in a number of processes in BioMar and Fibertex Nonwovens, among others. Water stress may occur in certain areas, but this is generally not the case, and all regulatory approvals are complied with.	
Chemicals, hazardous substances, etc.	Risks related to the use of chemicals, hazardous substances, environmental accidents and contamination are generally relatively low, although hazardous waste may occur, for instance in connection with electronics production and hydraulics. These risks are offset to some extent as all our portfolio businesses employ environmental management systems in various ways and are generally certified to external standards.	
Governance and communication	- Our portfolio businesses generally handle communication on environmental issues themselves. - However, our policies set forth various requirements for their overall governance principles and they report to the parent company at least annually.	

Risk assessment and policies

SOCIAL (S)

THEME	RISK ASSESSMENT	KEY POLICY POINTS
Human rights	▶ In Denmark and in Europe, human rights are generally protected by national and other legislation, and the risk of violation of fundamental human rights in this region is therefore deemed to be low. However, as the Group generally has an international presence, including in countries characterised as high-risk countries, this is an issue we need to take into account. ▶ Our companies all have a business model that seeks to ensure that they apply the same high standards in all locations they operate and that they implement processes to prevent the risks. ▶ In respect of certain companies, it is likely that significant risks may occur in connection with the value chain, which is why we are highly focused on apply the same demands to business partners and suppliers.	Human rights policy ▶ Regardless of which country we operate in, we endeavour to observe human rights and to treat our employees with dignity and respect. ▶ We support and respect the protection of internationally proclaimed human rights as set out in the UN Universal Declaration of Human Rights and in the declarations and recommendations of the ILO. ▶ We expect each of our companies to have due diligence processes in place for managing and preventing any negative impact on human rights, including due diligence processes aimed at external business partners such as suppliers.
Social factors and labour rights in general	▶ We have a strong focus on the employees of the Group. ▶ Accordingly, we are exposed to reputational risk in the event the principles and values we adhere to do not filter through to companies in the Group. ▶ Generally, occupational health and safety in settings with varying degrees of manual labour also involves a risk. ▶ Moreover, the skills of our employees are decisive in order for us to deliver the quality and responsibility standards we strive for.	Employment Policy ▶ At Schouw & Co., we believe that results are created by people. We have a long history of giving a high priority to our employees' safety and well-being, and watching out for them is a fundamental aspect of our group culture. Accordingly, we are exposed to reputational risk in the event the principles and values we adhere to do not filter through to companies in the Group.
Child labour, working hours, right to organise and discrimination	▶ Generally, the risk of violation of ILO conventions is assessed as fairly significant given our presence in a number of countries where national legislation cannot always be expected to respect these principles or where they may sometimes be disregarded in common practice. In light of this, the issue is addressed in the Group's policies and practices, which are generally based on high standards ▶ The risk is therefore deemed to be higher in relation to external suppliers, who are consequently required to comply with our high standards, and due diligence processes are in place to follow up on their compliance.	▶ We do not tolerate forced or compulsory labour. We do not permit the use of forced labour or labour which is otherwise compulsory or performed involuntarily or under threat of punishment. ▶ We observe all applicable laws, rules and relevant agreements on working hours, overtime work, leave and minimum rest periods. ▶ We seek to eliminate all forms of discrimination in employment. We support equal and fair opportunities for everyone, and we do not tolerate discrimination based on race, ethnic origin, religion, gender, age or disability. ▶ We do not tolerate child labour. We do not employ children under the age of 15 or children who are subject to compulsory school attendance, unless there are exceptional circumstances that make it fully justifiable and even then only to a very limited extent. ▶ We respect our employees' freedom of association and right to organise and bargain collectively.

Risk assessment and policies

SOCIAL(S)

THEME	RISK ASSESSMENT	KEY POLICY POINTS
Occupational health and safety	As Schouw & Co. has several companies that operate in the processing industry and/or with various levels of manual labour, there are risks related to occupational health and safety. Our processes are not usually high-risk, but accidents may occur, and it is therefore important that we address the health and safety of employees.	Occupational health and safety policy - Schouw & Co. acknowledges that, as a responsible company, we must safeguard our employees' occupational health and safety. Personal safety is always given top priority. No matter how serious, work-related illness or accidents are basically always unacceptable, as less serious incidents could point to a risk of more serious incidents. - The Group's portfolio businesses must make continual efforts to improve the occupational health and safety and minimise work-related risks. Our fundamental approach to occupational health and safety must be reflected in all portfolio businesses.
Diversity	- As an international conglomerate, there is a natural diversity among the Group's nearly 10,000 employees, and it is important that we respect this. On the other hand, there is a risk that not all members of the Group comply with our policies and principles. - When it comes to gender diversity, for example, we are obviously operating in fairly male-dominated industries with an unequal gender distribution in nearly all cases both generally and at the companies' management levels. This applies to both the portfolio businesses and the parent company, and involves the risk that we lose the skills and talent of individuals who are not afforded the right opportunities. At the same time, recruiting people will become harder if we appear to be out of step with society.	Policy for ensuring relevant diversity - Schouw & Co. is built on the fundamental view that results are created by people. In that context, Schouw & Co. considers diversity a strength that can make a positive contribution to growth, risk management and value creation for the Group. In addition, diversity of skills and backgrounds is seen as a factor that can contribute to enhancing the quality of the work performed by management and the interaction in and between the company's management levels. - With a presence in more than 30 countries across the globe, the Group has a diverse workforce and access to talent. We need to be aware of any structures that pose a challenge to equal access and opportunities and proactively seek to eliminate them. This will increase our access to talent and offer competitive advantages in the long term.

GOVERNANCE(G)

THEME	RISK ASSESSMENT	KEY POLICY POINTS
General business ethics	Schouw & Co. is founded on strong values and has a long history and tradition. Our corporate culture is generally characterised by integrity, but since we operate internationally across several different companies, there is a risk that not everyone adheres to these values. However, this is countered by an approach whereby we invest in companies that operate according to the same fundamental values and apply the same approach to their locations internationally to ensure high standards across the Group.	Policy on anti-corruption and business ethics Over the years, Schouw & Co. has built a reputation as a company maintaining a high degree of integrity and ethical conduct. Based on our fundamental values, we are committed to a high degree of ethical integrity in the way we conduct business.
Anti-corruption	Generally, the portfolio businesses do not have much contact with public authorities and the sectors they operate in do not involve a high risk of corruption. However, we have a presence in several countries characterised as high-risk countries, and it is therefore important that employees are aware of our guidelines and trained in understanding them.	Schouw & Co. combats all forms of corruption, including bribery and facilitation payments. We strive to ensure that all relevant employee groups are trained in good business ethics on a regular basis, including anti-corruption.

Diversity at Schouw & Co.

Schouw & Co. is an international group with a natural level of diversity. In order to benefit as much as possible from the competencies and talents available, Schouw & Co. prioritises ensuring increased diversity throughout the Group and ensuring increased representation of diversity at all management levels of the Group.

For this reason, in January 2021, the Board of Directors of Schouw & Co. adopted a policy for ensuring relevant diversity at the company's management levels as published on the company's website: www.schouw.dk/en/cg2021.

The purpose of this policy is to increase and safeguard value creation in Schouw & Co. by focusing on increasing the relevant diversity at the company's management levels as a supporting factor for diversity and breadth of competencies. The policy is reviewed and reassessed by the Board of Directors once a year, most recently in November 2021 when the review did not give rise to any changes.

Diversity across the Group

The policy specifies the following: *"In its targets and efforts on diversity, Schouw & Co. aims to attract a diversified group of applicants for management positions in the Group and to avoid barriers of opinion and assumptions (whether or not deliberate) that would restrict diversity or counteract equal employment or career opportunities, regardless of age, seniority, gender, ethnicity or other factors."*

Targets for management's gender composition

The efforts made to increase diversity in the Group include the effort to achieve a more equal distribution of men and women at the management levels. Hence, in January 2021, the Board of Directors of Schouw & Co. set the targets for the gender composition of its management: For the measurement period from 1 April 2021 to 31 March 2025, the target is to increase the number of shareholder-elected female board members of Aktieselskabet Schouw & Co. from one member currently to at least two members out of no more than seven shareholder-elected members. However, the composition of the Board of Directors of Schouw & Co. did not change in 2021, so it still consists of six members, one of these being a female member.

A target has also been set for the Group that all of its Danish reporting class C companies should, for the same measurement period, have at least one female board member elected by the shareholders in general meeting. The Group has seven Danish companies in the relevant reporting class: They are BioMar Group A/S, BioMar A/S, Fibertex Personal Care A/S, Fibertex Nonwovens A/S, GPV International A/S, HydraSpecma A/S and Borg Automotive A/S.

In 2021, one female member was elected to the board of directors of BioMar Group A/S, equal to female representation of 20%. The other companies have no shareholder-elected female board members.

Policy for increasing the proportion of the underrepresented gender

The published policy to ensure relevant diversity at the company's management levels also specifies the Group's responsibility for aiming to achieve a higher degree of gender diversity of the Group's management. The policy specifies the following:

"Schouw & Co. is aware that the ratio of women at senior management levels in the Group is proportionately lower than the gender composition of the Group's employees in general. As a result, the Schouw &

Co. Group's portfolio businesses will make a special effort to create a good framework to support the career development of individual female employees, for example through networks, mentoring schemes or other specific initiatives that may help individual employees gain management experience. The Schouw & Co. Group's portfolio businesses must also make a dedicated effort to ensure the best possible female representation among candidates being considered for management positions. ✕

Proportion of women among staff and senior employees

	2021	2020	2019	2018	2021	2020	2019	2018
	Management				Alle medarbejdere			
■ Parent company Schouw & Co.	17%	20%	20%	20%	40%	43%	43%	38%
■ BioMar	20%	20%	20%	22%	21%	21%	20%	20%
■ Fibertex Personal Care	25%	34%	34%	32%	16%	17%	16%	15%
□ Fibertex Nonwovens	23%	20%	20%	26%	23%	23%	23%	24%
■ GPV	34%	34%	34%	32%	61%	60%	62%	55%
■ HydraSpema	16%	17%	17%	18%	22%	22%	23%	23%
■ Borg Automotive	26%	16%	16%	14%	36%	35%	38%	35%

Data ethics

See section 99d of the Danish Financial Statements Act

Data ethics at Schouw & Co.

Schouw & Co. is committed to maintaining a high standard of business ethics, and, through our active ownership, we promote a responsible and proper manner in which to conduct business. This also applies in terms of responsible data use, which is an area gaining increasing focus. In 2021, the Group adopted a policy on data ethics as part of its general internal guidelines. The policy is available on the Group's website, www.schouw.dk/en/cg2021. The policy was drawn up in concert with the relevant parties and subsequently approved by the Board of Directors of Schouw & Co.

Overall, the policy sets out requirements of maintaining a high standard of data integrity, which is considered essential in order to ensure the trust of business partners, employees and the general public. Furthermore, the policy recognises the Group's responsibility in relation to data collection and data processing, including the responsibility for ensuring that technical and organisational measures support the ethically responsible use of data. The purpose of the policy is also to express expectations for the Group companies.

Schouw & Co. is a diversified conglomerate, encompassing six different portfolio businesses with a relatively low level of data complexity in each. The types of data used by our companies can be of both a personally identifiable nature and a non-personally identifiable nature. Our companies operate

exclusively in the B2B markets and therefore process limited amounts of personal data. Such processing typically takes place in connection with collection of data that are relevant and required in an employment law context. Where the companies obtain personal data, the companies are expected to comply with the Group's policy on data processing and the fundamental principles stated therein: responsible conduct, purpose limitation, data minimisation, lawfulness, fairness, transparency, accuracy, integrity, confidentiality and storage limitation. Other types of data are collected and used in a more business-specific context and always in compliance with the Group's principles for responsible data use.

The group companies do not use artificial intelligence, machine learning or other automated models for large-scale data processing, such as in connection with product development, pricing, business decisions, marketing activities or the like. Our companies do not obtain data from or sell data to external parties, and they normally do not use subcontractors for data analysis purposes.

Data work can be very context-specific, and as a result of the structure of the Group as a diversified conglomerate, the policy does not provide a specific description of the procedures and measures to be introduced by the Group's companies with a view to ensuring compliance with the data ethics values. The policy serves more to provide guidance

on the Group's general view on data ethics issues. The responsibility in connection with decisions, the use and implementation of new digital data technologies and the use of non-personally identifiable and personally identifiable data rests with the management of the individual companies.

Schouw & Co. recognises that data work is a constantly evolving area. This being the case, the Group's policy on data ethics will be updated on a continuing basis to address any new issues that may arise. ✕

Responsible approach to tax

A significant part of the contribution made by the Schouw & Co. Group to society is the tax paid in the countries in which we operate. The approach taken by the Group is that the tax is payable in the countries where the earnings are generated. Hence, the Group contributes to the societies that we are a part of and pays its tax in accordance with applicable rules.

Tax policy of Schouw & Co.

The Schouw & Co. Group takes a responsible approach to tax, which has now been specified in the Group's tax policy. The policy is available on the Group's website at www.schouw.dk/en/cg2021. The purpose of the tax policy is to specify the responsibility, the views and the obligations of the Group in relation to being a responsible taxpayer.

The policy covers all group companies, all of which are required, of course, to comply with both national and international tax legislation. The tax policy covers all types of direct and indirect taxes, including income tax, tax at source, VAT, excise duties, customs duties, payroll tax and other direct and indirect taxes. The Executive Management of Schouw & Co. is responsible for implementing the tax policy, whereas the Group's tax function is charged with ensuring that the tax rules are complied with on a daily basis.

As the Group conducts transactions across national borders, Schouw & Co. is under an obligation to ensure that such transactions are completed on an arm's length basis in

accordance with the OECD Transfer Pricing Guidelines and local tax rules.

Schouw & Co. adheres to the clear principle of refraining from taking part in activities in low-tax countries or tax havens on the EU blacklist. Furthermore, the Group does not participate in tax structures with a high risk or the like that may involve reputational risks.

The Group aims at maintaining an open dialogue and cooperating with relevant tax authorities.

Income tax paid by country

With a presence in 30 countries, the Schouw & Co. Group contributes significantly to local communities and national institutions through its tax payments. In this way, the Group contributes to several of the UN Sustainable Development Goals, including goal 11 (Sustainable Cities and Communities) and goal 16 (Peace, Justice and Strong Institutions), through a responsible approach to tax and our overall contribution in more than 30 countries worldwide, as can be seen in the illustration to the right. 

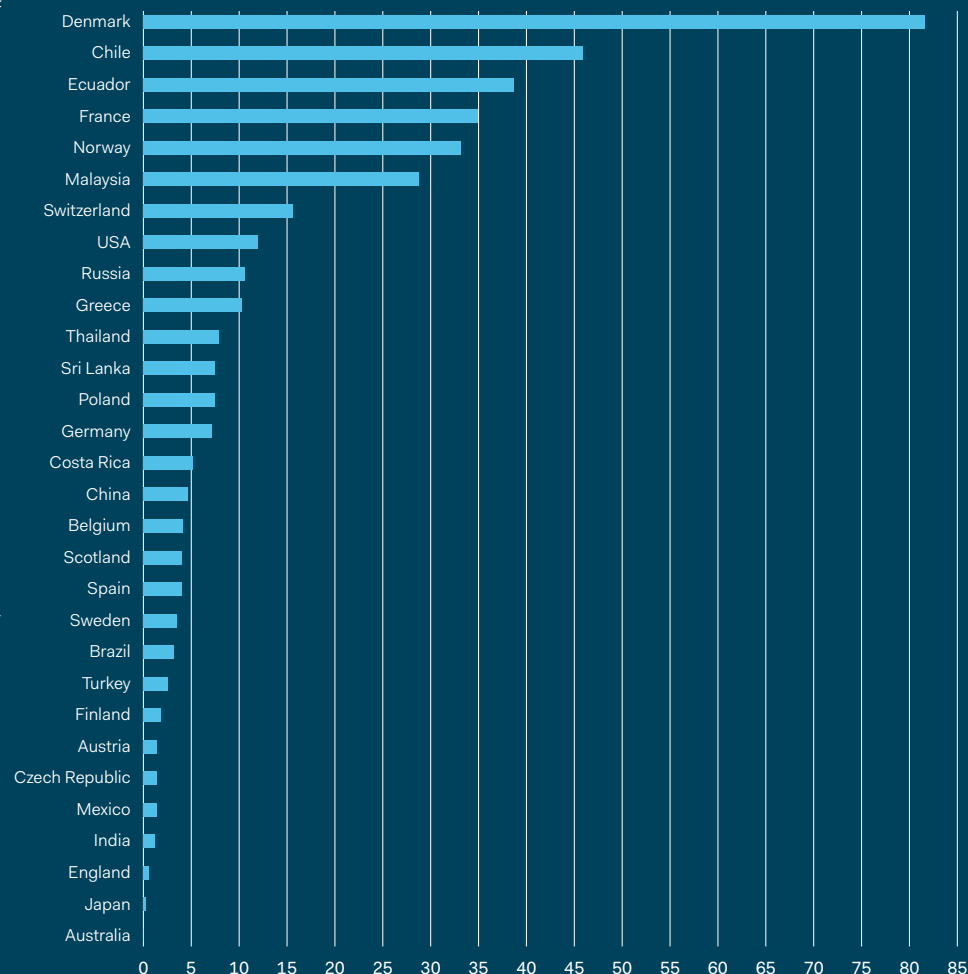
Income tax paid during 2021

381

DKK million

Income tax paid by country, 2021

(DKKm)



EU Taxonomy

Pursuant to Regulation (EU) 2020/852 of the European Parliament and of the Council

The EU Taxonomy defines external and clear criteria for environmentally sustainable economic activities for the purpose of encouraging the allocation of capital in a manner promoting a more responsible economic development.

Under the Taxonomy Regulation, the associated Delegated Act and Annexes and the supplementary technical screening criteria, once they have taken full effect, companies will be required to report on

- i. the proportion of their turnover derived from products or services associated with economic activities that qualify as environmentally sustainable; and
- ii. the proportion of their capital expenditure (CapEx) and the proportion of their operating expenditure (OpEx) related to assets or processes associated with economic activities.

Article 9 of the Taxonomy Regulation defines six climate and environmental objectives to which economic activities may contribute substantially:

1. Climate change mitigation
2. Climate change adaptation
3. The sustainable use and protection of water and marine resources
4. The transition to a circular economy
5. Pollution prevention and control
6. The protection and restoration of biodiversity and ecosystems

To achieve taxonomy alignment, an economic activity must contribute substantially to at least one of the objectives and must not have an adverse impact on the other objectives. Currently, only a single Delegated Act has been adopted, covering the initial two climate change objectives. A second Delegated Act for the four remaining objectives is expected to be adopted in the course of 2022.

Schouw & Co. and EU taxonomy

According to the Delegated Act, this year companies are only required to disclose only the proportion of their turnover, capital expenditures and operational expenditures that are eligible for the taxonomy. As a first step in Schouw & Co.'s EU taxonomy efforts, we have screened the group companies for

climate change mitigation and climate change adaption activities.

This general screening exercise led to the exclusion of all general sectors based on NACE codes, as the portfolio businesses of Schouw & Co. do not directly have any activities in any of the sectors related to the production of energy, water and waste treatment, construction of buildings, etc. While not currently included in the taxonomy, aquaculture is expected to be addressed as part of environmental objective 3 in the course of 2022. We comply with the recommendations set out in section 3.2.6. of the technical report, according to which reporting on this area is voluntary until the environmental objectives take effect.

Enabling activities

So-called enabling activities have been defined as part of the EU taxonomy. Enabling activities are not subject to any direct technical thresholds but serve to support other activities. These include 'Manufacture of low carbon technologies' covering certain elements of the economic activities of Schouw & Co. Each portfolio business has been

screened to determine how large a share of their solutions or products – and hence sales – contributes to such technologies. Three of the Group's companies, HydraSpecma, Fibertex Nonwovens and GPV, manufacture solutions and products used in the production of low carbon technologies.

Borg Automotive works according to a circular business model that is expected to be included in the fourth climate and environmental objective of the EU Taxonomy.

Generally, according to our calculations, less than 5% of our revenue, CapEx and OpEx for the current year is eligible for the taxonomy at this stage, thus falling short of the materiality threshold we have defined for reporting purposes. We expect to see a substantial increase in this percentage once aquaculture and circular economy are included, and we expect more than 50% of revenue to be eligible by the 2022 reporting. It is not possible to determine how large a proportion will be aligned with the taxonomy until the environmental objectives are made public. ✕

Notes to accounting policies

Revenue: Based on screening, we have determined the proportion of revenue for each economic activity of each of the Group companies representing enabling activities supporting low carbon technologies.

No other revenue can be attributed to the relevant NACE codes for the year.

CapEx and OpEx: It was not possible to ascribe CapEx or OpEx to specific revenue comprised by the taxonomy, as CapEx and OpEx are allocated evenly across the businesses. For example, CapEx investments are not directly attributed to low carbon technologies, but to the businesses generally. The same allocation key was therefore used for CapEx and OpEx, both of which were determined based on revenue. We believe that this provides a reasonably true and fair view.



RELEVANT LINKS

To know more about our portfolio businesses, go to their respective websites



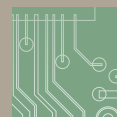
BioMar
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Fibertex Nonwovens
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GPV
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HydraSpecma
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Borg Automotive
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