



# ESG REPORT

Environment | Social | Governance

2022

This report constitutes to FSN HoldCo ApS' non-financial reporting on corporate responsibility in alignment with §99a.

FSN HoldCo ApS' primary activity includes control and ownership of subsidiaries, including control and ownership of Gram Equipment A/S. It has been assessed by FSN HoldCo ApS' Management, that the most significant impact on society and environment occurs through the ownership of the aforementioned company, and therefore the following reporting is a reflection of the subsidiary's reporting.

**FSN HoldCo ApS**

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## About this Report

This report constitutes the statutory reporting on corporate responsibility, cf. §99a.

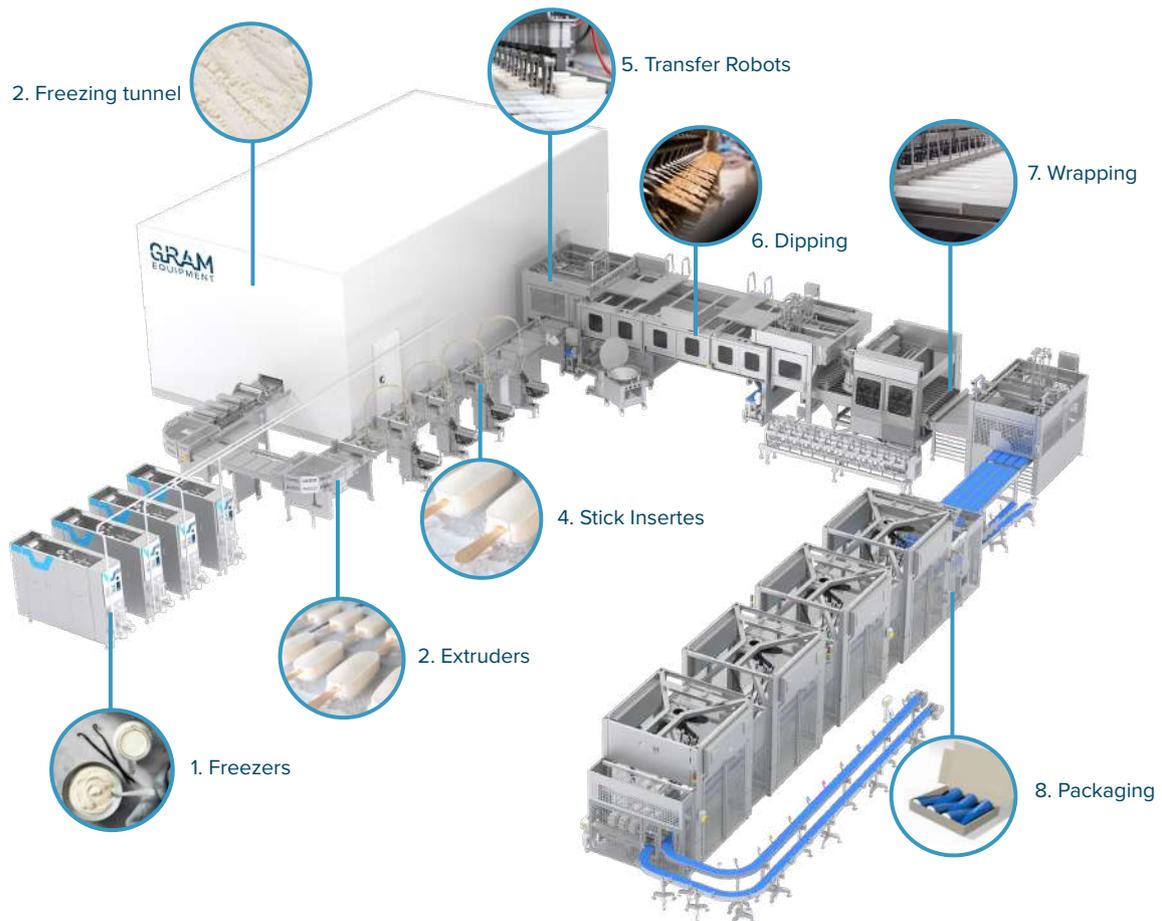
# A Passion For Ice Cream

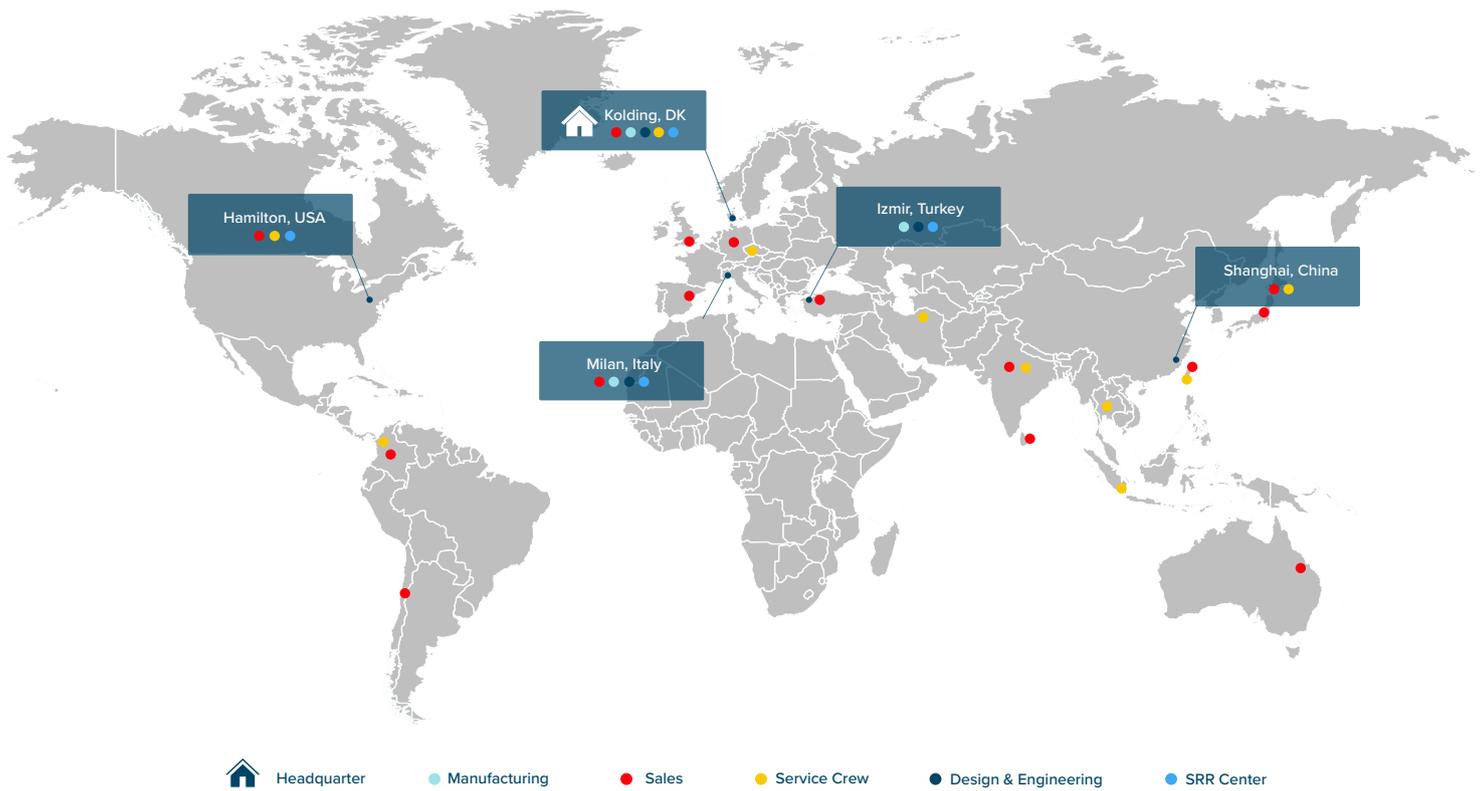
Our focus – and our passion - is ice cream. We design and assemble processing equipment and develop service and spare parts solutions for the global ice cream production industry. We supply some of the world’s major ice cream brands with full line equipment for high-throughput production up to 40,000+ ice creams per hour.

We are passionate about innovative and long-lasting ice cream solutions, advanced machinery, and process installations for industrial ice cream production. With more than a century of ice cream production experience, we remain committed to

providing the world’s most efficient and flexible ice cream production and packaging equipment.

This know-how allows us to provide our customers with the best possible solutions, service, and supervision for any project, regardless of the scope. Gram Equipment’s ice cream equipment arsenal includes machines for freezing, filling, feeding, extruding, molding, wrapping, and packaging products. We aim to ensure our products’ continuous development and innovations to deliver solutions that enable smooth and efficient products for our customers.





We are a global company with approximately 550 employees worldwide in 2022. Our headquarters is situated in Kolding, Denmark, where about 330 production staff, engineering, and management staff are employed. Assembly of equipment and engineering also takes place in Izmir, Turkey. The Izmir area is known for its many highly qualified

mechanical and automation engineers, and as a company with a global approach we have successfully attracted and retained 150 employees in Turkey. Moreover, we have a production facility for molds in Milan, Italy, an office and warehouse in Hamilton, US, and an office in Shanghai, China.



# Letter from our CEO

“We believe in creating a more sustainable environment for all. With this ESG report we wish to highlight our commitment to continuous improvement in every part of our business. This is a commitment that is shared and adapted at all levels of the company. Our environmental, social, and governance input reflects a commitment to our clients, employees, and community.

As a leader in the ice cream equipment industry, we are responsible for making sustainable choices in cooperation with customers and suppliers. This is a journey that we have begun. In 2022 we have taken the next step forward and have started to execute the planned activities and internal communication to create awareness about ESG, as an integrated part of all areas of our business. We have increased the organizational resources for ESG, and in May 2022 we onboarded a dedicated ESG Business Partner. We have also recruited a ESG and Health and Safety resource at our facility in Izmir, Turkey.

In 2022, we joined the Un Global Compact and thereby committed to act in accordance with the Ten Principles of the UN Global Compact and to report on our continues progress in acordnce with their framework.

In 2022 we have been deeply impacted by Russia’s invasion of Ukraine. Both Gram Equipment and our employees have made donations and the funds have been used to support the employees of our critical Ukranian component supplier. After the invasion, we stopped all projects in Russia.

In 2023 we will be updating our strategy for 2026. Integrating ESG into our strategic priorities will be a central focus area. In 2023, we will also be focusing on the preparations for CSRD (EU Corporate

Sustainability Reporting Directive) compliance, by starting to create a framework for data gathering and reporting.

Moreover, we will establish a complete baseline for greenhouse gas emissions to prepare for setting Science Based Target (SBT) in 2024.

Our employees make this journey possible, and we want to support them throughout their work life with us. We strive to build a company culture that empowers our employees. We prioritize creating an inclusive and safe working environment accessible to all, where we encourage our employees to be innovative and creatively impact our business future.”



**Tom Wrensted**

CEO of Gram Equipment

# Our vision for tomorrow & ESG approach



We integrate our focus on sustainability in our purpose, mission, vision, and values. This guides our journey towards reducing our carbon footprint while focusing on our global responsibility and the people we are in touch with – our employees, sub-suppliers, and customers. Our ESG goals are part of our overall business strategy. The long-term aim is to ensure that we take responsibility for reducing our climate impact.

We maintain our ESG focus by making sustainability a mandatory part of our internal project review (PMO). ESG is always on the agenda at our board meetings and is on the agenda for a monthly Group Management meeting.





# UN Global Compact

In 2022 we made our commitment to the goals set in UN Global Compact. As a member of the UN Global Compact, we support the **UN Sustainable Development Goals (SDG)** and the ten principles of the UN Global Compact. In 2022, our ESG Business partner and HSE specialist completed the UN Global Compact Climate Ambition Accelerator program. This is a six-month program, through which we have strengthened our internal Greenhouse gas (GHG) reporting and accounting competencies. In 2023, we present our first CoP (Communication on Progress) report according to the Un Global Compact framework.



From being in this program, I gained valuable new knowledge on GHG accounting and the approach to applying the standards of the GHG Protocol. The outcome of this has enabled us to move forward with our ambition, to establish a complete baseline and set Science Based Targets. The best part was, that Mert and I took this course together. It has strengthened our collaboration through mutual experience and shared reference points – a clear advantage since we are based in Denmark and in Turkey, respectively.

**Yahvi Frimand**  
ESG Business Partner



It was very exciting and informative to be a part of this program. We had a huge insight into calculating Greenhouse Gas accounting and setting science-based targets by meeting, discussing, and consulting with many professionals from different industries all over the world. We are going to move forward and improve our GHG reporting process by considering the knowledge that we have taken out of the program.

**Mert Orgun**  
HSE Specialist



# UN SDGs

The UN Sustainable Development Goals (SDGs) provide us with a framework for translating global needs and ambitions into valuable solutions. We are focusing on the five SDGs where we believe we can contribute the most, and where the interconnection of ESG and business strategy and values is most obvious.

<p><b>12</b> RESPONSIBLE CONSUMPTION AND PRODUCTION</p> 	<p><b>CIRCULARITY</b></p> <p>We partner with our customers and suppliers to develop circular solutions focusing on reducing waste throughout the ice cream production process.</p>
<p><b>13</b> CLIMATE ACTION</p> 	<p><b>ENVIRONMENT</b></p> <p>Across operations and the value chain, we continuously strive to learn and implement new methods of reducing our environmental footprint concerning water, waste and GHG emission.</p>
<p><b>16</b> PEACE, JUSTICE AND STRONG INSTITUTIONS</p> 	<p><b>GOVERNANCE</b></p> <p>We adhere to responsible policies, practices, rules and norms and fully support the principles for responsible business conduct laid down by the UN Global Compact.</p>
<p><b>5</b> GENDER EQUALITY</p>  <p><b>8</b> DECENT WORK AND ECONOMIC GROWTH</p> 	<p><b>PEOPLE</b></p> <p>We prioritise creating an inclusive and safe working environment accessible to all, where we encourage our employees to be innovative and creatively impact our business future.</p>



## Gram Equipment ESG Strategy 2023

ESG Focus Area	KPIs	LONG TERM TARGET	PERFORMANCE 2022	ANNUAL TARGET 2023
<b>1. Supporting customers to reach their environmental ambitions</b>	1a. Circular solutions	1a. Partner with our customers and suppliers to develop circular solutions w/a focus on waste in the ice cream production	1a. High-level roadmap for circularity focusing on food waste has been defined	1a. Establish market-driven food waste baseline and targets for optimized equipment by 2026. Initiate projects for food waste reduction.
	1b. Energy- efficient equipment/ service 1c. Collaboration to reach climate targets	1b. Be the preferred partner for sustainable solutions 1c. ESG collaboration with suppliers, industry peers, and customers	1b. R&D improved the energy efficiency of the equipment 1c. We have had an active role at the external Ice Cream Tech 2022 conference on ESG matters. We have identified venues to collaborate on sustainable solutions	1b. Establish a market-driven baseline for energy efficiency in standard tier 1 product lines and develop targets for future energy efficiency optimised equipment, to be included in the 2026 strategy. - Plan for the development of an additional product line with low GWP (global warming potential) refrigerants 1c. Develop an end-of-life guide for our equipment
<b>2. Reducing our environmental footprint</b>	2a. ESG leadership	2a. Gram identified as an ESG leader in the ice cream industry.	2a. Full-time ESG business partner was hired in May 2022. More than 50% of our employees participated in one or more ESG workshops and an ESG idea Bank was established	2a. Integrate ESG into our 2026 Strategy, also in a combined focus with innovation. Conduct EcoVadis rating of Gram Equipment
	2b. Reduce GHG emissions 2c. Zero waste	2b. Net Zero 2c. Zero waste to landfill	2b. GHG reporting competencies strengthened through two key employees completing the UN Global Compact Climate Ambition Accelerator program. GHG emissions reductions initiated at several sites 2c. New legal guidelines for waste sorting implemented in D	- Six internal ESG training and knowledge-sharing workshops to be facilitated on team/ department level to boost the integration of ESG in the core activities 2b. Establish a baseline for GHG emissions in all relevant scope 3 categories, to complete a full base year for setting SBT in 2024 - Develop infrastructure and procedures for stream- lined GHG reporting 2c. Residual waste reduction by 20% at our biggest production site (DK) and optimised set-up for waste sorting to be implemented at all sites
<b>3. Motivated employees in a diverse and inclusive workplace</b>	3a. eNPS	3a. eNPS of +40%	3a. eNPS +15% on average. Great variations between groups and therefore focus to bring the low scores up. We increased the immediate manager score to a satisfactory level	3a. eNPS of +22%
	3b. Diversity 3c. Personal development	3b. Female new hires 25% 3c. Regular personal development offerings to all employees	3b. Female new hires reached 26% and exceeded the target 3c. Leadership training program conducted. Forty leaders finalised exams – all business-relevant cases presented to Group Management	- Increase the immediate superior evaluation: 2022: 5.73/7 2023: 5.85/7 3b. Female new hires 22%. Target lower than 2022 result but another mix in planned FTE budget. We will continue to focus on diversity in all recruitments 3c. 90% of people managers/leaders have finalised the basic Leadership Program
<b>4. Ethical value chain</b>	4a. Supply chain management	4a. Best in class Supply chain management	4a. Supplier risk assessment set-up prepared for execution in 2023	4a. Risk assessment and supplier rating through EcoVadis
	4b. Supplier CoC	4b. SCoC signed by all main/ key suppliers	4b. SCoC improved and a new version was published. 84% of 2022 spent covered by signed SCoC	- ESG on the agenda for supplier conference: inform about our strategy and supplier expectations
	4c. Ethical business conduct	4c. Annual ESG Training for all employees	4c. New employees' ethical training program developed for roll-out in 2023	4b. 90% of 2023 spending covered by signed SCoC 4c. 100% of employees to finalise the ethical training program

This page is taken from the Gram Equipment ESG Strategy 2022, published in the FSN 2022 ESG Report. Reference: ESG Reports - FSN Capital, p. 73



*Sustainability is not just a goal; it's a responsibility we owe to future generations.*



# Double Materiality Assessment

In 2022, we revisited and updated our materiality assessment, applying the principle of double materiality. Thereby, reviewing the impact our organization’s activities have on people and the environment as well as the financial impact that external sustainability-related factors can have on our organization (the outside-in view).

We review the impact that our activities have on people and the environment (the inside-out view) as

well as the financial impact that external sustainability-related factors can have on our organization. This process has been conducted by interviews and focus group discussions with internal stakeholders, including the company Group Management, as well as by including insights from industry research and market analysis. The revised materiality assessment is approved by the CEO. In 2023, our target is to integrate the identified material impacts into our Enterprise Risk Management (ERM) system.

## SOCIAL & ENVIRONMENTAL MATERIALITY

## FINANCIAL MATERIALITY



### ENVIRONMENT

- Support decarbonization of the ice cream business through equipment and services that reduce food waste, energy use, and GWP refrigerant usage.
- Reduce GHG emissions in scope 1, 2 and 3
- Minimize and prevent operational waste.
- Enable responsible End-of-life practices
- Protect impacted ecosystems and biodiversity.

- Manage the transition and physical impact risks and opportunities, including the decarbonization of our value chain.



### SOCIAL

- Global employee health, safety, and a positive work environment.
- Health and safety across the value chain (suppliers’ and customers’ employees).
- Ensure food safety of our equipment
- Diversity and anti-discrimination across our operations and value chain.
- Labor conditions and human rights across our operations and value chain.

- Manage critical safety and security risks across our operations.
- Ensure access to critical talent and human capital.



### GOVERNANCE

- Responsible supply chain practices
- Tax payment transparency
- Anti-corruption and bribery
- Anti-competitive behavior

- Geopolitical uncertainty, conflicts and crisis in countries where we operate.
- Manage compliance risks across our operations.
- Responsibly source critical materials from select countries with limited substitutes.
- Enable digital global growth as a substitute for travel-based growth.

# Environment

## Decarbonizing the Ice Cream Business

As a provider of equipment and service solutions for the ice cream industry, we believe that we must support the decarbonization of our industry. We do this by developing equipment and services that reduce food waste, energy use, and use of GWP (global warming potential) refrigerants.

Our customers have stated that food waste reduction and energy optimizations are their top ESG priorities. At the 2022 Ice Cream Technology Conference, our VP Sales and Marketing gave a presentation on our approach to optimizing equipment to reduce cost and environmental impact.

### FOOD WASTE

Food loss and waste undermine the sustainability of our food systems. Whenever food is wasted, all the resources that went into the production of the food – such as water, land, energy, labor, and capital, are wasted, too. We have intensified our focus on developing innovative equipment and processes that help reduce food waste in ice cream production.

### ENERGY OPTIMIZATION

Ice cream production is energy intensive and production lines have a very long service life. For our customers, energy optimization is a critical factor both in terms of finances and in terms of sustainability.

Our equipment is designed for twenty to thirty years of operation – in reality, often longer. As a result, investing in equipment with reduced energy consumption is a long-term proposition, and



innovation that can reduce energy consumption is in high demand.

We can only reduce the climate risk by working closely together, and we are an active partner in the Easy-E project with The Technical University of Denmark, The Danish Technological Institute, and other companies, supported by the Danish Energy Agency. The goal of the Easy-E project is to reduce energy consumption for various production machines.

### **REFRIGERANTS**

Freezers are a central part of the ice cream production line. The majority of large scale ice cream production lines use central refrigerated freezers. This is based on the use of low GWP (global warming potential) refrigerants – majority NH3 based and to

a lesser extent CO2 - as of today. Smaller ice cream production lines use self-contained freezers with compressors. As of today the refrigerants used are high value GWP refrigerants. It is our plan to develop and supplement our self-contained freezers to be operating on low GWP refrigerants

### **PRODUCT LONGEVITY & CIRCULARITY**

We support our customers in prolonging the service life of our equipment by offering service solutions, repairs, and possibilities for upgrading existing equipment to meet new demands. For equipment that is no longer operational, we want to enable responsible end-of-life practices by giving our customers guidance on how to disassemble and recycle the components. Developing such a guide is one of our targets for 2023.



## Reduce GHG Emissions

In 2019 we began to report the annual GHG emissions from our headquarters in Denmark. In 2021, all entities were reporting relevant scope 1 and 2 emissions. We have gradually expanded our scope 3 reporting. The external consultancy company CEMAsys is supporting us with our GHG accounting.

### EMISSIONS IN THE VALUE CHAIN

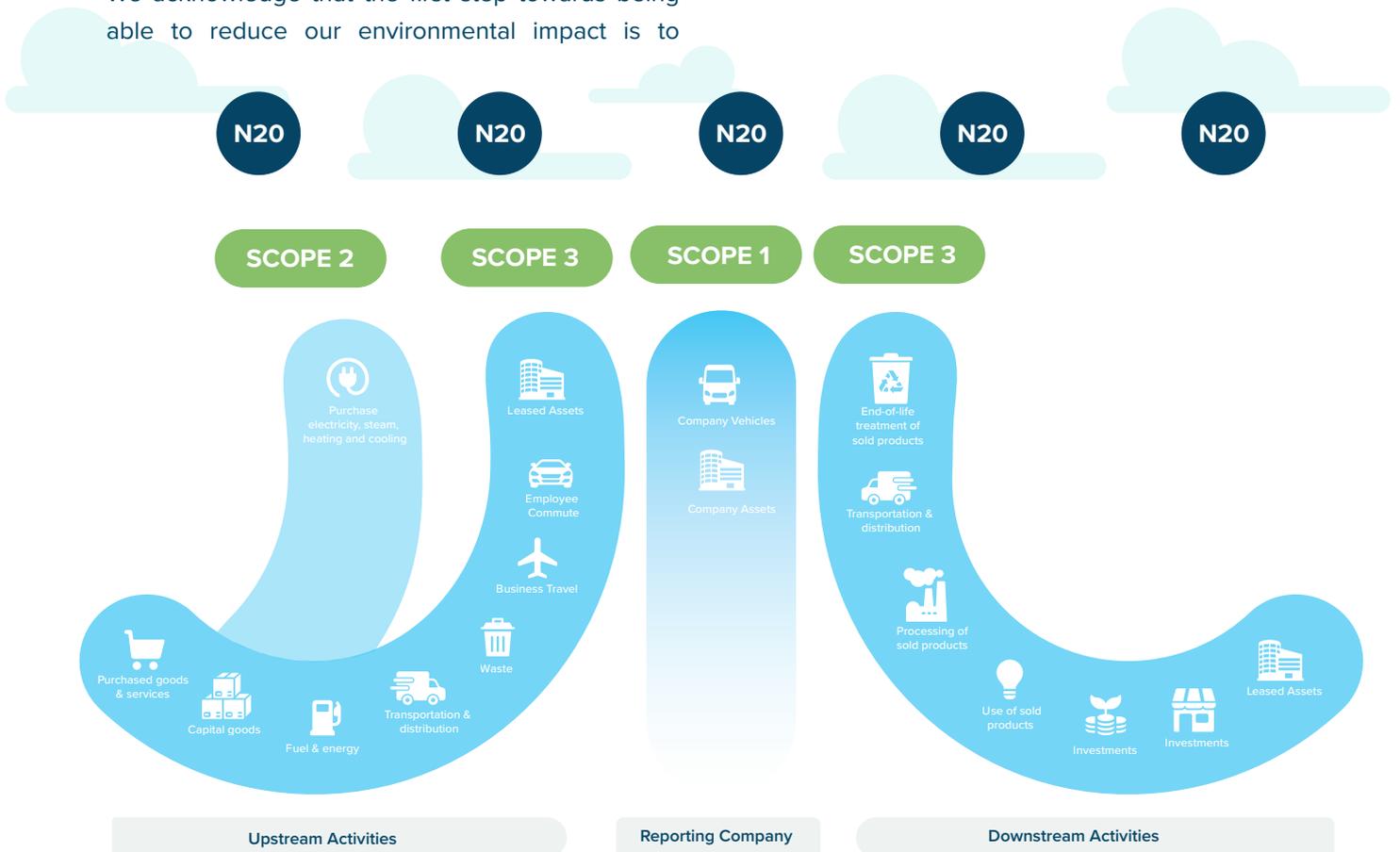
We are a company with a global value chain both upstream and downstream. We have entities in Turkey, Italy, China, and in the United States, and it has proven to be a challenging to establish a full impact overview. In 2023, our aim is to establish a full baseline year, covering all relevant scope 3 categories.

We acknowledge that the first step towards being able to reduce our environmental impact is to

establish a baseline for our current emissions. Therefore, gathering scope 3 data and creating a reporting framework is a very high priority.

Based on the currently available data, Scope 3 emissions account for 82 % of our total greenhouse gas emissions. Due to the expansion of the Scope 3 reporting to cover more categories and the refinement of data, we will see a natural increase in the reported Scope 3 emissions, and we expect this number to increase substantially.

In 2022 the emissions related to Category 4 Upstream Transportation and Distribution are significantly higher than the previous years. The sea shipping bottleneck around the world caused an increase in the use of air transportation leading to increased emissions.





### COMMITTING TO SCIENCE-BASED TARGETS

When we have established the baseline year, we plan to commit to the Science Based Targets (SBT) in 2024. Committing to substantial reduction targets will support us in mitigating the risks related to the green transition and the impacts of regulatory requirements from CSRD (EU Corporate Sustainability Reporting Directive).

### REDUCTION INITIATIVES

In addition to these overall objectives, we have the following reduction targets/plans:

- ▶ Substitution of natural gas heating with electric (heat pump) heating at the biggest production site (Denmark) has been planned and will lead to a significant reduction of the emissions at this site.
- ▶ The possibility of investing in an on-site solar power plant for the biggest production site (Denmark) is being investigated.
- ▶ Solar power is being implemented at our entity in Turkey.
- ▶ Transition from diesel to electric company cars in Denmark.

## Reducing Waste

Our waste is sorted and handled according to local regulatory standards at all our sites.

In 2022, it became mandatory for Danish offices and canteens to sort their waste. This has been standard practice at our headquarters since 2017.

Waste prevention continues to be a key focus area for us. At our headquarter employees can take home any leftover food from the canteen lunch, thereby reducing food waste. Employees pay a symbolic amount (10 DKK) for the food and the money is donated to charity. We have a recurring commitment to supporting the SOS Children's Villages, as well as donating to different local charities.

We are reusing inbound packaging materials for outbound deliveries as much as possible.

Our entity in Turkey is subjected to local environmental regulation in İzmir and specifically to the internal regulation of the free zone where the entity is located.

Therefore, waste plastic, metal, electronic, cables, and hazardous waste, are sorted at the source, stored at a specific area until transfer, and sent to disposal with a licensed company.

In 2023, our target is to improve waste management as well as GHG accounting for waste, by sorting food waste and providing water dispensers instead of single-use water bottles.

For the other entities, we do not have the full data set for waste management, and establishing better data will be a priority in 2023.

In **2023** our target is to reduce residual waste at our headquarters by **20%**



## Protecting Ecosystems & Biodiversity



In the coming year, we will increase our focus on protecting the ecosystems and biodiversity that are impacted by our operations.

We will align our activities with the future CSRD EU regulation (Corporate Sustainability Reporting Directive). We will begin by creating an overview of the potential impacts across our value chain. As a small first step, we have begun to maintain the green areas surrounding our headquarters with a greater focus on creating good conditions for the local biodiversity. In this process, we became aware that

the invasive species Japanese knotweed had spread on a large area at our site. The plant is known for spreading aggressively and for being very harmful to the local biodiversity. After a thorough investigation of the correct approach, we have controlled the spread using pesticides by the guidelines from the Danish Environmental Agency.

# Social

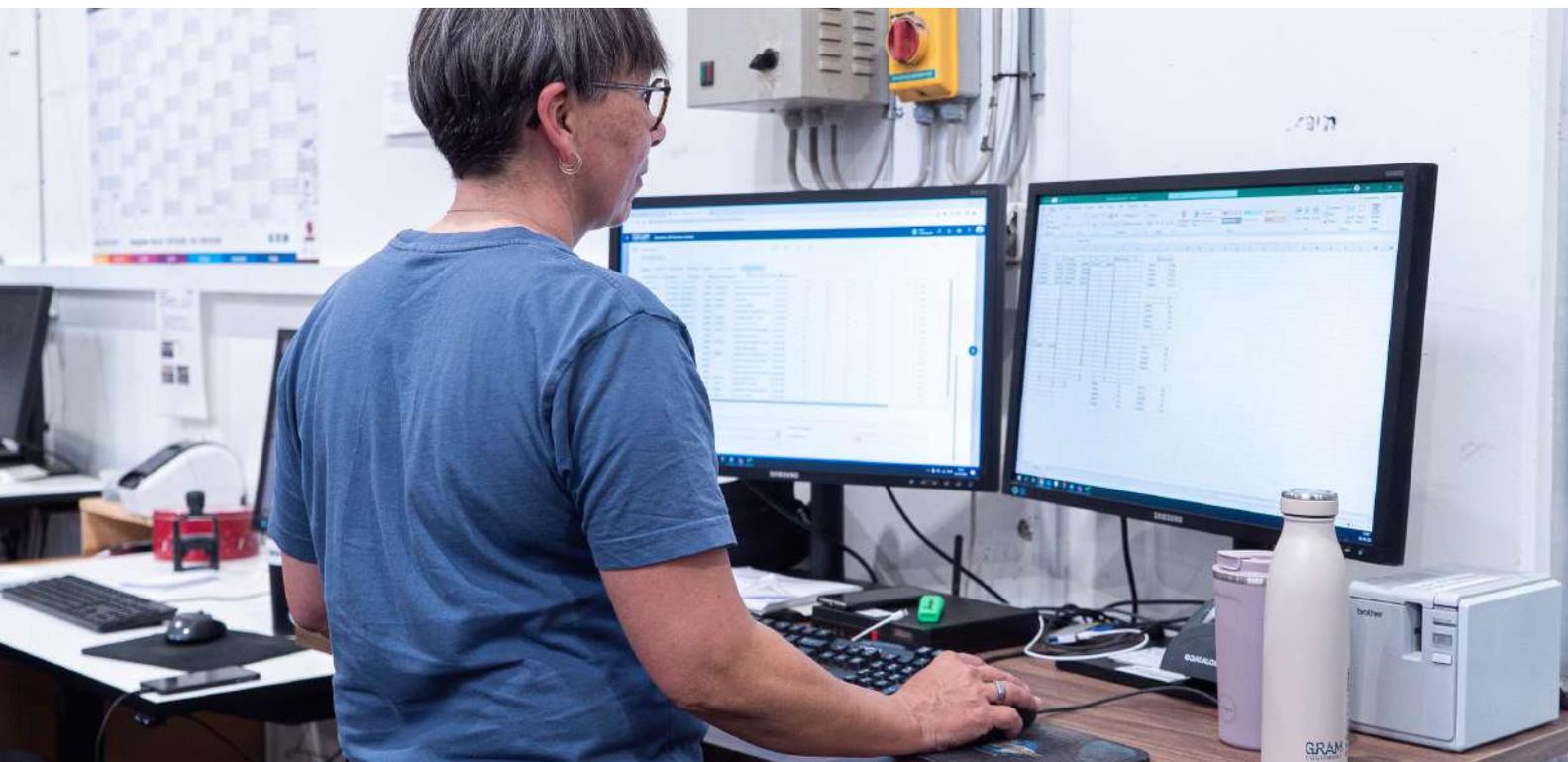
## Our Employees

### DIVERSITY

We make both our company and our society stronger if we embrace diversity, equality, and inclusion.

We are committed to creating a workforce that reflects the rich diversity of our broader society and the communities in which we operate. Our goal is to be considered an employer of choice because we attract and nurture future pioneers across diverse backgrounds. We recognize how important it is for our people to work in an inclusive environment where differences are valued. We commit to improving the quality of life by enabling our people to achieve their fullest potential.

We will continue to focus on diversity in recruitment because mixed groups give the best results. People-focus is therefore also set as one of the SDGs. There is still a long way to go to attract the same number of women to our assembly as men. We have successfully recruited female graduates and student workers, and we hope they will continue their careers with us. In 2022 our target was that 20 % of new hires should be women and we managed to succeed the target by reaching 26 % of new hires. For 2023 we have set the target at 22 %.



## HEALTH & SAFETY

We are committed to establishing and maintaining a healthy and safe working environment for all our employees, suppliers, and visitors. Our employees operate globally, both at our five entities, and at customer sites, conducting service and maintenance.

A global approach to health and safety is of great importance to us, and we are committed to

managing critical safety and security risks across all our operations.

In 2022, we have begun establishing a Health and Safety Management System. The first step is to increase communications and to empower awareness. We do this with Health and Safety training, toolbox talks, frequent meetings, safety boards, and safety bulletins.

2021	2022	Performance %
Incident Frequency	Incident Frequency	Incident Frequency
10,92	13,5	24%

Lost-time injury frequency is the number of lost-time injuries per million exposure hours. Lost-time injuries (LTI) is the sum of accidents, which result in a person being unfit for work on any day or shift after the day of occurrence.

In 2022 unfortunately, we have seen an increase in incident frequency when compared to 2021. We are constantly striving to improve our health and safety performance, and we have taken several corrective actions.

In Denmark we are improving employee and visitor safety and reducing the likelihood of head injuries by making bump caps mandatory for everyone working close to or underneath the machines.

In 2022, we developed new health and safety training material and introduced an HSE SharePoint Site and HSE App to improve the engagement and

contribution of all our employees. We have also intensified health and safety training at our entity in Izmir, Turkey, and in 2023 the same training programs will be introduced in Kolding, Denmark.

We are introducing global health and safety procedures and are preparing for ISO45001 certification. In 2023 we will be taking additional corrective actions to further improve health and safety.

The long-term target is to reach zero for both incident frequency and incident gravity.

**EMPLOYEE WELL-BEING & MOTIVATION**

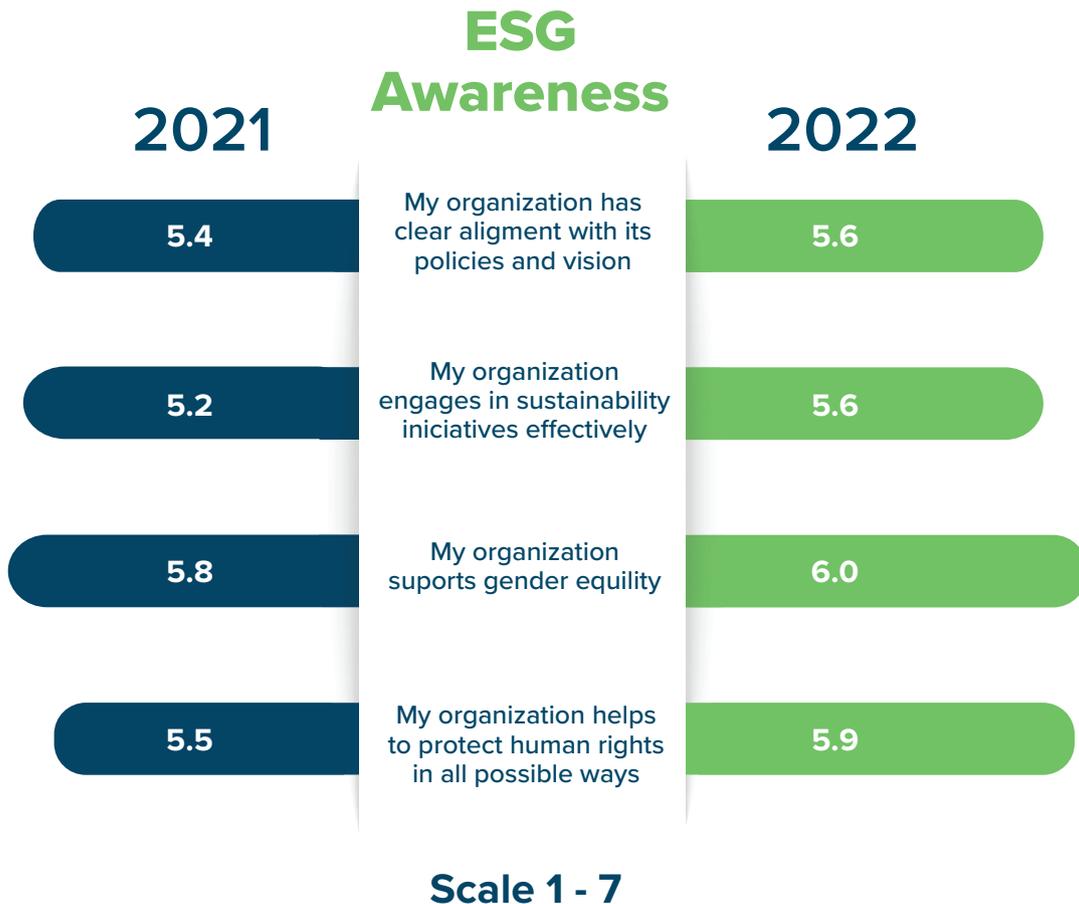
Our employees fuel our growth and innovation. Building a culture where our employees are inspired to bring their best selves to work is essential to our success and is a core value for us.

We strive to have an open dialogue with all employees, seeking transparency and involvement. Town Hall meetings are held regularly. We have actively implemented a hybrid work policy that has been well received.

In November, we conducted an annual global employee survey. It consists of an eNPS score and a comprehensive questionnaire, as well as questions on ESG awareness. 83.5% of all employees responded. We had aimed for an eNPS

score exceeding our target of +20 % but must realize that there were very significant differences between groups of employees in their evaluations. The average result was +15 %, the same as in 2021. Consequently, we initiated a dialogue with employees to ensure a better understanding and to arrange actions to improve satisfaction and cross-functional work relations. In 2023, we are conducting a workplace assessment for our Danish employees and the results of this will inform our further actions towards improving the working environment.

For all questions regarding ESG, we have seen an increase in employee evaluation since the introduction of ESG-related questions in 2021. It is our aim to continue to increase ESG-related employee evaluations in 2023.





**LEADERSHIP**

In 2022, forty leaders completed our internal leadership training program. We believe leadership development and a platform for networking will positively impact employee motivation and creativity.

In 2022, we held our inaugural Gram Leadership days, where the extended management from all the Gram Equipment entities came together to network and to evolve their leadership skills. We have set a goal of increasing the immediate superior evaluation from 5.73/7 in 2022 to 5.85/7 in 2023.

**APPRENTICES - ENSURE FUTURE COMPETENCIES**

By the end of 2022, we employed 11 apprentices in Kolding, Denmark. We believe it is essential to train young people and adults without formal education, to become specialized and develop skillsets in different positions in the company's value chain. To ensure a social network and build relations across functions, we formed an Apprentice Club. Apart from having an extended lunchtime together from time to time, we also sponsor different social activities in cooperation with the club.



## Workers in the Value Chain

### EMPLOYEES OF OUR SUPPLIERS

We realize that engaging in global activities creates an inherent risk of unintentionally violating human rights and inadvertently breaking legislation against corruption and bribery.

We have pledged to respect inalienable human rights, equal opportunities, non-discrimination, freedom of association for workers, the prohibition of child labor and forced labor, and fair wages and working conditions. We operate a zero-tolerance policy towards unethical behavior in commercial practice, in particular concerning bribery, corruption, or forced labor. These values are stated in our Supplier Code of Conduct, which is signed by our suppliers.

In 2023 we will commence a corporation with the company EcoVadis, to conduct ESG risk assessment and ESG ratings of our suppliers. This will give us much better data regarding our suppliers' ESG compliance, and will guide our future dialog with them.

### EMPLOYEES OF OUR CUSTOMERS

We focus on ensuring the health and safety of the customers and employees operating our equipment. In the development phase, our engineers focus on developing equipment that is safe to operate and we develop training material targeted to customers and employees, focusing on correct operation and health and safety. This is our way to support our customers in preventing injuries at their facilities.

## Customer Safety

### ENSURE THE FOOD SAFETY OF OUR ENVIROMENT

It is crucial for us that the ice cream products that our customers produce are not negatively impacted by being processed by our equipment. There must be no change in color, smell, taste, or any health risks or hygienic issues that can be related to the equipment from Gram Equipment.

To ensure the safe production of foodstuff in general, the authorities have issued regulations on materials in contact with foodstuff. At Gram Equipment these regulations have been transformed into a set of procedures that are included in our Management System, and which ensure that Gram Equipment

fulfills the Danish and European legal requirements on Food Contact Materials.

As a Danish company producing food/foodstuff equipment, we are being surveyed by the Danish Veterinary and Food Administration. This entity pays regular visits to Gram Equipment to ensure that we follow the defined procedures and the legislation behind them. Our status (shown by a smiley) and the latest visiting report can always be seen here: <https://www.findsmiley.dk>

# Governance

ESG is an integral part of our overall strategy. ESG is on the agenda for every board meeting as well as for a monthly meeting between Group Management and ESG. Our ESG responsibility is led by our VP HR and CSR. ESG targets and strategic initiatives are approved by the CEO.

## Risk Management

In 2021, we implemented an Enterprise Risk Management system (ERM) to give us a better understanding and overview of the overall risk level. The system is designed and developed to focus on five main risk areas: Strategic, Financial, Operational, Hazard, and Compliance risks. Identifying the potential impact of geopolitical uncertainty, conflicts, and crises in the countries where we operate is a

central focus area in the assessment of strategic risk. All departments have the responsibility to report identified risks to the ERM system and the risks and identified corrective measures are reviewed by the Group Management every quarter. In 2023, our target is to secure alignment and integration between the ESG-related risks that have been identified in the double materiality assessment and the ERM system.

## Whistleblower Entrance

Our goal is to make reporting concerns about ethics and compliance issues as easy as possible, creating maximum opportunity for disclosures. In 2021, a new whistleblower platform was introduced internally

and externally and is accessible from our company website. There were no new relevant incidents in 2022.

## Employee Code of Conduct

Onboarding several new employees in 2022, our Employee Code of Conduct is an essential ethical compass to introduce newcomers to our policies and behavior code. The Code of Conduct is an appendix to the employment contract and is presented at the

onboarding meetings. In 2023, by extending the activities in Gram Academy, the Code of Conduct will be repeated to all employees as a mandatory learning module.



## Data Ethics

We want to enable digitally based global growth, as a substitution of growth based on travel activities. Reliance on data is becoming a key enabler for more digitally integrated offerings at Gram Equipment. We focus both on expanding our digital market offerings,

as well as on optimizing internal digital systems. We manage and control the storage and use of data ethically and proactively, to avoid abuse and privacy infringement. We must continually safeguard our position from legal, business, and reputational risks.

## Responsible Supply Chain Practices

### SUPPLIER CODE OF CONDUCT

In 2022, we updated our Supplier Code of Conduct to secure a greater level of alignment with the ten guiding principles in the UN Global Compact as well as with our company strategy. The updated version was published in September 2022 and has been introduced internally and on our company website.

We strive to cooperate closely with our suppliers and set high ethical standards for our collaboration. From 2020 to 2022 our supply chain was heavily influenced by COVID and the global supply chain disruption. To secure the supply of critical components, several new suppliers were introduced in this period. Signing our supplier code of conduct is a part of the onboarding for all new component suppliers. Our overall strategy is that all suppliers delivering both direct and indirect input for Gram Equipment must sign the Supplier Code of Conduct.

In the previous years, we have reported the ratio of total historical spending covered by signed Supplier Code of Conducts. In 2020 we reported 76 % and in 2021 we reported 75 % of historical spending being covered by signed Supplier Code of Conducts. For 2022, our target was to reach 85 % of the historical spend. By January 1st, 2023, we concluded that we had reached 82 % of the historical spending and 84 % of the spending in 2022. We have decided to change the calculation model from historical spending to spend within the reporting year.

Therefore, for 2022 we reported 84 % and we set the target to reach 90 % for the spend within the reporting year 2023.

After this information was reported, we have now come to understand that the underlying data informing the previously reported figures does not cover data for all suppliers to Gram Equipment. Data

have been extracted from our central ERP system, while supplier data for some entities have partially been managed in decentralized ERP systems.

Due to the late discovery of this misalignment just before the deadline for this report, we have unfortunately not been able to create a validated dataset for reporting the correct ratio of signed Supplier Code of Conducts. We are also currently in transition from one ERP system to another. In 2023 our target is to clean the data and create a framework for future reporting covering data for all suppliers.

### SUPPLIER RISK ASSESSMENT AND RATING

It is our target to introduce a system for supplier risk assessment and to conduct ESG assessment of suppliers. In 2023, we will start this process by conducting a supplier risk assessment of all primary direct suppliers and inviting the first direct suppliers to answer an EcoVadis ESG assessment. In the future year, we will expand the risk assessment to cover all suppliers and the risk assessment will inform a supplier assessment and auditing program focused on minimizing supply chain risks.



## Responsible Sourcing of Critical Input Materials

Responsible sourcing of critical input materials with few or no available substitutes is a key focus in our long-term procurement strategy.

We focus on strengthening our materials supply chains in order to be resilient against impacts of climate change and other external environmental and social factors. Thereby we aim to mitigate the potential impacts of such external factors on the

operational activity of suppliers, which could further affect the availability and pricing of key resources.

We want to mitigate this risk through supplier engagement and the co-development of more sustainable solutions. The first step in this process will be to gather data through the EcoVadis supplier risk assessment program.

## Ethical Business Conduct

Both our Supplier and Employee Code of Conduct emphasize the importance of ethical business conduct: anti-corruption and bribery and anti-competitive behavior, as well as anti-discrimination and harassment.

We have a responsible, transparent, and consistent approach to all tax matters. Tax is paid where value is created and we do not use contrived or abnormal tax structures that are intended for tax avoidance, or

that do not meet the spirit of local or international tax laws. We comply with tax legislation in the countries where we operate. Our tax policy applies to all group companies.

We manage and control the storage and use of data ethically and proactively, to avoid abuse and privacy infringement. We must continually safeguard our position from legal, business, and reputational risks.

## Initial EU Taxonomy Assessment

### Initial EU taxonomy assessment

#### Key Activities

- C28.93 - Manufacture of machinery for food, beverage and tobacco processing.

#### Potential contribution to environmental objective

- Transition to a Circular Economy.



# ESG Data

## ESG Key Performance Indicators

	TARGET		RESULT		
	Definition	2023	2022	2021	2020
<b>Environment data</b>					
CO2e Scope 1	Tons	Refinement of data in scope 3 to establish full base year	479t CO2e	465t CO2e	480t CO2e
CO2e Scope 2	Tons		367t CO2e	346t CO2e	138t CO2e
CO2e Scope 3 (Selected sources)	*Not full scope - only selected data		3847t CO2e*	1639t CO2e	1120t CO2e
Total renewable energy share	%	25	20,5	25,9	-
Waste management Denmark	%	87	83,3	79,3	77,1
<b>Social data</b>					
Gender diversity	%	18	18	16	17
Female new hires	%	22	26	16	18
Female managers L1 + L2	%	27	22	22	20
Absence rate	%	Production: 3,9 Administration: 1,1	Production: 4,5 Administration: 1,2	Production: 4,1 Administration: 0,9	Production: 4,1 Administration: 0,8
eNPS	%	22	15	15	13
cNPS	%	32	na	29	na
<b>Governance data</b>					
Gender diversity on the board	%	0	0	0	0
Supplier CoC of total spend	%	Revised target will be set after correct data have been established	Data not available	75	76

Scope 3 data differ from previous years' results due to expanding the reporting to cover additional categories and overall refinement of data quality.

## Environmental Data

### SCOPE 1,2,3

The reported data covers all Gram Equipment entities. The report accounts for the full GHG emissions in Scope 1 and 2, while only emissions in a few Scope 3 categories are reported. Therefore, the figures are not an account of Gram Equipment's total GHG emissions.

The consultant company CEMAsys is handling the Gram Equipment GHG data and is supporting us by adding the correct emissions factors. CEMAsys write the following on their approach to GHG accounting and data handling:

*The input data is based on consumption data from internal and external sources, which are converted to tons of CO2 equivalents (tCO2e). The carbon footprint analysis is based on the international standard A Corporate Accounting and Reporting Standard, developed by the Greenhouse Gas Protocol Initiative (GHG protocol). The GHG Protocol is the most widely used and recognized international standard for measuring greenhouse gas emissions and is the basis for the ISO standard 14064-1.*

**2022 generally:** Due to the Covid-19 situation in the previous years, the data for 2022 will be difficult to compare with these years.

**Scope 2:** A mistake has been made in all the previous year's regarding the heating data for production in Denmark. Natural Gas Heating has been used, but previously it was reported as district heating. The mistake has been corrected for 2022. The correction of this error has increased the reported

scope 2 emissions, as well as a decrease in the renewable energy share from 25.9% to 20.5% of the total energy consumption.

#### Data

- Denmark: Market-based (NRGI) and location-based part of the rent
- All other sites: Location-based

**Scope 3:** We have included data for upstream transportation and distribution, business travel, recycled waste, and limited data for purchased household goods and employee commuting.

In 2022, the emissions related to Category 4 Upstream Transportation and Distribution are significantly higher than the previous years, due to more travel and freight activity. The sea shipping bottleneck around the world in 2022 caused an increase in the use of air transportation, leading to increased emissions.

Due to the expansion of the Scope 3 reporting, to cover more categories and the refinement of data, we will naturally see an increase in the reported Scope 3 emissions related to our activities. We expect this number to grow until we have established a full baseline for all relevant Scope 3 categories.

**2021 - correction:** A mistake has been detected in the registration of the data for Category 6 Business Travel for hotel nights. The data registered was in EURO, instead of nights. This mistake caused a significant increase in our scope 3 emissions of around 7920 tCO2e. The mistake is corrected in this report.

**The current plan for 2023:** In 2023 a baseline for GHG emissions in all relevant scope 3 categories will be established, to complete a full base year to be the foundation for setting SBT in 2024.

Moreover, infrastructure and procedures for future streamlined GHG reporting will be developed.

In addition to these overall objectives, we have the following reduction targets/plans:

- ▶ Reducing residual waste by 20% at the biggest production site (DK).
- ▶ Substitution of natural gas heating with electric (heat pump) heating at the biggest production site (DK) has been planned and will lead to a significant reduction of the emissions at this site.
- ▶ The possibility of investing in an on-site solar power plant for the biggest production site (DK) is being investigated.
- ▶ Solar power is being implemented at our production site in Turkey.
- ▶ Transition from diesel to electric company cars in DK.

## TOTAL RENEWABLE ENERGY

**Certified green energy:** The renewable energy share is based on purchased certified climate-friendly energy in Kolding, Denmark. The other entities have multiple nonrenewable sources for heating and electricity.

We started purchasing certified climate-friendly energy for Kolding, Denmark on November 6, 2020. This is based on guarantees of origin under the conditions set out in DIRECTIVE 2009/28 / EC of the European Parliament and of the Council of April 23, 2009, on the promotion of energy use from renewable sources.

### **Correction of reporting error for renewable energy:**

The decreased renewable energy share from 25.9% to 20.5% is caused by a reporting error. The details are outlined on page 35 under scope 2.

**Waste management:** : The reported ratio for waste management is based on the percentage of waste that is sorted according to BEK # 2512 of 10/12/2021, by our certified ISO14001 provider Marius Pedersen. The 12 different waste types are weighed and registered for recycling. This is only measured in Kolding, Denmark and thereby, the percentage is only reflecting data from this entity.



## Social Data

### **GENDER DIVERSITY**

Percentage of women in the total number of employees based on headcount by year-end.

### **FEMALE NEW HIRES**

Percentage of women in the total number of employees at year-end.

### **FEMALE MANAGERS L1+L2**

Percentage of women managers in the total number of managers, including C-level management and managers with employee responsibility or strategic responsibility reporting to C-level management. This is calculated based on headcount.

### **ABSENCE RATE**

Short-term absence of fewer than four weeks in succession. Percentage of total hours produced.

### **eNPS:**

The employee NPS methodology follows the Net Promoter Score methodology launched by Bain & Co in 2003.

### **cNPS:**

The customer NPS methodology follows the Net Promoter Score methodology established by Bain & Co in 2003. No customer survey was conducted in 2022.

## Governance Data

### **GENDER DIVERSITY ON THE BOARD**

Percentage of women in the total number of board members at year-end. It is our future target to include female board members.

### **SUPPLIER COC OF TOTAL SPEND**

Due to a data error, the previously reported Supplier Code of Conduct compliance ratio has not covered all supplier data. The details are outlined on page 32.

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