

# FRONTMATEC

## UN GLOBAL COMPACT COMMUNICATION ON PROGRESS REPORT





## LETTER FROM CEO

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“Frontmatec is constantly looking for new ways to improve and win together with our customers & key stakeholders – and we truly believe that we will achieve our ambitious 2025 targets to reduce our CO2 emissions – both internally, but also very much externally where our products are utilized in the Meat Processing Industry.”

I am pleased to confirm that Frontmatec Group ApS reaffirms its support of the Ten Principles of the United Nations Global Compact in the areas of Human Rights, Labor, Environment, and Anti-Corruption.

In 2021, we have gained valuable lessons in our business processes from the COVID-19 crisis which has become a new way of working for us. Business meetings conducted online and working from home have all contributed significantly to reduced commuting which has reduced our CO2 footprint. We will incorporate these lessons learned to maintain momentum and keep reducing business travel and energy consumption in relation to our operations and services.

Frontmatec continued to enable our customers to implement highly efficient automation solutions in the meat processing industry - by introducing new automated machines and technologies – with the aim of consuming less energy & water.

We are especially proud of our high-class ITEC Hygiene product range, where we have introduced new hygiene concepts for use in a much wider public area than the food industry we normally serve. This has proven very useful during the Covid-19 period because hygiene has become a top priority in our society.

We are well on the way to achieving our 2025 targets to reduce our own CO2 emissions and assist our main suppliers and customers in reducing their emissions. In 2022, we will again review our goals concerning energy and water, which will give us valuable insights into our strengths, capabilities, and limitations. As a result,

we are refining our objectives, making them more precise and transparent.

We look forward to sharing more about this in 2022, including a detailed road map for each of these ambitions.

Another key focus in Frontmatec is our people – as the Frontmatec people are at the core of our offerings. I am immensely proud of the Frontmatec people, and also the focus that we have to increase the proportion of women in the company's leadership. Having said that, there is always room for improvement. Looking ahead, we are ramping up our ambitions and building a new plan which will be implemented during 2022-2023, covering a broader range of diversity parameters.

I am immensely proud of the contributions that all Frontmatec employees make every day toward our customers in getting the most out of their precious raw material and minimizing food from being wasted during production.

Producing and feeding the world in a sustainable way is a great motivational factor for us all. Every day, we strive to improve our solutions to generate higher yields with the same amount of raw material and in doing so, we play our part towards a more sustainable world.

I hope you will find this report interesting.

Allan JF Kristensen  
CEO, Frontmatec Group, COP for 2020

# ABOUT FRONTMATEC

Frontmtec develops world-leading customized solutions for automation in the food industry, other hygiene sensitive industries and the utilities industry.

We are especially renowned for our high-quality systems for the entire value chain of the meat industry – from carcass grading, slaughter lines, cutting and deboning lines, hygiene systems, and control systems to logistics and packaging.

We are the highly experienced partner to the global food industry on whom customers count for every step of the journey – from the initial design phase to the service solutions.

With our 1300 employees, a global production footprint, and a presence in 12 countries, we utilize our knowledge of local market requirements and preferences to develop the best possible solutions for our customers.

Headquartered in Kolding, Denmark with production facilities in Denmark, Romania, the UK, Canada, China, Uruguay, and Germany, we serve our global customer base through a network of sales partners in addition to our own sales and service offices in Denmark, Germany, Poland, France, Spain, Netherlands, Russia, China, Brazil, Uruguay, Canada, and the USA.

Regardless of it being a complete turn-key project or a single machine, we always adhere to the same key design criteria:

## **Animal welfare**

Our solutions for live animal handling must ensure respectful treatment without causing unnecessary harm or discomfort.

## **Ergonomics**

Our equipment must be intuitive and easy to operate to protect the health and safety of the workers.

## **Hygiene**

All our equipment must be easy to clean to ensure the highest possible hygienic standard.

## **Meat quality**

Our solutions must ensure the best possible meat quality in every step of the process.

## **Yield optimization**

Our solutions should always obtain the best possible yield and reduce any raw material from going to waste.



*Frontmtec Robotic Chine Bone saw uses a vision system to assess each primal middle for the optimal cut patterns – thus greatly optimizing yield, minimizing waste, and replacing a tedious operation that was traditionally done manually.*

# BUSINESS UNITS

As a global turnkey solution provider in the food processing industry, Frontmatec offers a wide portfolio of products and services that requires geographical adaption to market requirements. To best support our customers and provide solutions with impact, Frontmatec has structured its operations into 7 business units:



## HYGIENE AND STUNNING



Hygiene systems, ergonomic work aids, automatic systems, by-product systems.

World leading manufacturing of cartridge powered captive bolt stunning tools.



## ROBOTICS



Global robotic solutions for kill line applications.



## MEAT SOLUTIONS EUROPE

High quality slaughter lines, cutting and deboning lines and logistics solutions for pigs, cattle (incl. calves) and sheep for the European market.



## MEAT SOLUTIONS AMERICAS

High quality slaughter lines, cutting and deboning lines and logistics solutions for pigs, cattle (incl. calves) and sheep for the North American market.



Leading supplier of deboning and packaging systems to the Latin America market



## MEAT SOLUTIONS CHINA

High quality slaughter lines, cutting and deboning lines and logistics solutions for pigs, cattle (incl. calves) and sheep for the Chinese market.



## CONTROLS AND INSTRUMENTS

Online measuring systems for pig and cattle carcass grading for advanced yield management and quality control.

Complete software solutions for the operation, and optimization of food processing facilities.



## SERVICE SOLUTIONS

Tailored product solutions such as service agreements, 24/7 support, spare part packages, and real-time remote support for efficient production, prolonged lifetime, and yield improvements.

# OUR BUSINESS AND SUSTAINABILITY

Just like our customers within food production, we are very aware of the fact that producing food, and meat in particular has a major environmental impact.

Therefore, ESG improvement initiatives are high on the agenda, not only within Frontmatec but amongst our customers as well. We have a shared interest in being able to feed a growing population using fewer resources. As a major supplier to the meat processing industry, we also have a responsibility to secure our solutions are meeting the demands for a reduced overall CO2 footprint.

At Frontmatec we are focused on joining forces with our customers and business partners to help reduce the environmental impact our solutions have on the meat and food production chain. Within each Frontmatec business unit, our continuous R&D focus is pushing our product innovations to become even better in numerous aspects that support sustainability. Here are some examples:

## Meat Solutions

In the past 30 years, there has been a lot of development to automate the processes within pork processing plants. The drive for automation has been to replace many of the un-ergonomic and manual processes that made slaughter plants a high-risk workplace from a health and safety point of view as line speed has increased through the years.

Yield improvements and reducing waste also fueled the drive for automation. Within cattle, it has been a different story. Unlike in pork plants, where the incoming animals are very similar in size, cattle, on the other hand, varies a lot more, making automation much more challenging. The processes have largely remained unchanged while challenges such as recruiting and retaining staff have only increased.

In 2021, Frontmatec targeted the potential for automation within beef with several projects in our R&D pipeline entering test stages with customers.

**Example:** The Robotic Cattle Splitter is a robotic solution that replaces the need for the manual splitting of the carcass into two halves using a heavy electrically driven circular band saw – a task that is especially tough on operators. Using a vision system, each carcass is individually measured, and the data is transferred to the 6-axis industrial, which performs an accurate cut along the spine every single time.

Not only does it free operators to do less-straining tasks, but it also increases yield and improves hygiene as the robot runs the cutting tool through a cleaning and sterilization cycle after each cut.





## OUR BUSINESS AND SUSTAINABILITY

### Instruments

Our division within instruments is participating in a project to breed to best calves in the world with a substantially lower climate footprint together with Aarhus University, Danish Crown, intelligent livestock tagging company Allflex and genetic company Viking.

The project called 'FutureBeefCross' tracks 12.000 calves from 5 farms during a 5 year period. Data on genetics, feed, and consumption are measured as are the methane released from the animals, while at the slaughter plant data on different quality parameters are collected using the Frontmtec Beef Classification Center (BCC-3) and the handheld Q-FOM.

### Hygiene

Our Hygiene division has developed a Hygiene 4.0 Smart Control solution, enabling a more

sustainable operation of our hygiene machines. The system is used to visualize and diagnose machine conditions and provides important information for optimizing operating processes.

In addition to facilitating service and maintenance work, particular focus is placed on the economical use of water, cleaning chemicals, and disinfectants.

The simple monitoring of consumption data serves as the basis for parameterizing the machines to meet individual customer requirements and thus for resource-saving use of consumables.

A regularly exportable hygiene report with the usage and consumption data documents not only the progressive reduction of operating costs but ultimately also our successful contribution to preserving the environment.

# OUR BUSINESS AND SUSTAINABILITY

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## Controls

In Controls, we strive to work according to the UN world goals 6 & 7, where especially goal 7 is a hot topic with the green transition in general and the current energy situation in particular.

The green transition in the district heating sector is more important than ever since this is one of the few places where energy can be stored in large quantities.

A rapid movement away from natural gas in this sector will make more gas available for domestic use and for use in industries that are not easily converted. In the district heating sector, it is still large heat pumps, now with a movement towards surplus heat instead of air as the source; also wood chips are coming up again.

The biogas sector is in very rapid growth, by the end of 2021 21,4% (25% was yesterday's figure from Biogas Denmark) of our annual gas consumption was covered by biogas, with an expected coverage of 38% in 2024, 75% in 2030 and production exceeding our consumption by 2035. This may very well be accelerated by the current situation with both energy prices in general and the political situation with Russia.

Frontmtec is a part of this movement towards a green gas transition and will work with this also in the years to come. Sector coupling is another upcoming thing with the P2X and biogas as major

contributors with a demand for cooling and with surplus heat that are easily accessible.

## Service Solutions

Customer satisfaction is essential and the key to our success. These are not just words but something we live by every day.

We strive to build and maintain strong customer relationships by listening and being close to our customers.

COVID-19 changed our traditional service operation completely with travel restrictions and quarantine regulations being enforced.

To keep the production lines running and to ensure the critical food supply remained unaffected we had to come up with several new service concepts to help our customers remotely.

Smart Glasses were introduced and so was remote eye support. Both solutions have proved a huge success, limiting the number of service visits significantly. With a smartphone and a Frontmtec remote eye service agreement, experts can always be called upon and assist customers in real-time no matter where in the world.

It is just like having a service technician behind you to guide and take you through step-by-step the issue you may have.



# OUR COMMITMENT TO SUSTAINABILITY

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## Member of UN Global Compact since 2017

Frontmtec is committed to the Ten Principles of the United Nations Global Compact spanning Human Rights, Labor, Environment, and Anti-Corruption. These Ten principles serve as guidance in our decision-making of both the strategic direction we have chosen to take and our day-to-day operations.

As detailed in this report, the solutions Frontmtec offers and brings to the market hold a high degree of focus on sustainability, health and safety, animal welfare, and more.

This is because we recognize our responsibility as a global market leader to not only limit the impact on the environment from our operations but also support our loyal customers in achieving their sustainability goals and targets.

In our 2020 COP report, we set out to establish baselines for our social and environmental impact as well as strengthen our governance across the Frontmtec group.

Frontmtec has in 2021 taken strong incremental steps to understand our ESG impact through various initiatives and has gained greater insights as to how we can improve our environmental footprint as well as the environmental footprint of our customers.

As such, by taking an inward-looking view of our operations, products, people, and customers, we define the year 2021 as the onset of our future focus and continued commitment to the Ten Principles of the United Nations Global Compact.

In 2021, we have developed a Co2 baseline project designed to create a standard method by which other Frontmtec entities can measure and monitor emissions.

We have conducted our annual impact assessment resulting in a materiality matrix that has created the foundation for our company-wide ESG strategy in 2022 and onwards.

We have taken steps to further our social impact touching upon topics such as gender diversity, health and safety, and employee well-being.

We are strengthening our governance across the entire group through the digitalization of governance, risk, and compliance.

While all of these initiatives have taken us a step further in our journey, we recognize that our journey has only just begun, and we will continue to work with the Ten Principles of the UN Global Compact.

We will do this in collaboration with our stakeholders, suppliers, customers, communities, and employees across the entire globe, as we have found that the greatest contribution to the preservation of the environment and social advancement is found at the intersection between our operations, the products we bring to market, our influence on market standards, and the joint commitment to the UN Global Compact between ourselves, our suppliers, and our customers.





# SUSTAINABILITY FOCUS AREAS

The sustainability committee established in 2021 will also be the governing entity of sustainability initiatives to be carried out in 2022. The committee consists of the executive management team, the CSO, and the CEO of Frontmatec governed by the board of directors.

Following the mobilization of initiatives set out in 2021, we deemed it necessary to add our local business unit management to the committee overview as it is within these units that our ESG strategy and initiatives are enforced and carried out.



## A dedicated focus on sustainability

At Frontmatec, we want to always improve our impact on the environment, our people, and the communities that we are part of. Our Sustainability Committee is dedicated to doing exactly that.

The committee consist of organizational representatives from the executive management and board of directors, who, together, are driving change in the organization



# SUSTAINABILITY FOCUS AREAS

Following our 2021 baseline, impact, and materiality analyses we have outlined a series of key focus areas in which we strive to improve during the year 2022. While we recognize that these areas are not exhaustive, we believe that they represent urgent matters where we as a company are able to create the biggest impact.

	FOCUS AREAS	2022 ACTIVITIES & TARGETS
<b>ENVIRONMENTAL</b>	Using our expertise to improve both Frontmatecs and our customers' environmental impact	<ul style="list-style-type: none"> <li>In 2022, we will continue the work carried out in 2021 and strive to implement a group wide ESG reporting format on Co2 emissions</li> <li>Having identified the areas in which Frontmatec can make the greatest impact, we will strive to conduct a complete ESG impact product impact mapping that will be used to guide our investments in new product development</li> <li>Create and mobilize unit level specific initiatives to reduce scope 1 and 2 emissions across the Frontmatec group</li> </ul>
<b>SOCIAL</b>	Promote diversity of global workforce through internal and external initiatives	<ul style="list-style-type: none"> <li>Establish company wide reporting of gender diversity focusing on gender distribution and equal pay to be used in formulating gender diversity improvement initiatives</li> <li>To explore new means of employee interaction through digital service offerings designed to bridge communication gaps between employees, middle management, and executive management with the purpose of increasing employee well-being</li> </ul>
<b>GOVERNANCE</b>	Governance to protect corporate reputation and promote ethical business standards in the communities where we operate	<ul style="list-style-type: none"> <li>Policies to be renewed for; Anti-corruption, Antitrust, Conflict of interest, Anti-harassment, Whistleblowing, Trade of Compliance, Code of Conduct, and more</li> <li>Governance, Risk and Compliance company wide digital platform implemented starting with GDPR, ISMS and Policy management</li> <li>Employee training and awareness</li> </ul> <p>Next steps (2022)</p> <ul style="list-style-type: none"> <li>Implemental of digital GRC platform</li> <li>Renew annual policy and compliance wheel</li> <li>Employee training</li> </ul>



# TARGETS 2021

Frontmatec has chosen to maintain the targets set out in COP 2019 and 2020. While we have consistently worked with these targets in 2021, we recognize that we must continue to improve on the below KPIs and ensure a transparent and honest view to further improve our ESG impact.



## Environmental

### CO2 emissions, scope 1

Definition: Direct emissions resulting from the company's own combustion of fuels and materials.

Formula: Green House Gas (GHG) emissions are calculated for each combusted fuel/material. When all emissions are calculated, they are normalized to CO2 equivalents.

Unit: Metric tons

Definition and formula source: Nasdaq - FSR report (ESG key figures in the annual report); GHG protocol.

### CO2 emissions, scope 2

Definition: Indirect emissions resulting from the energy used to produce electricity, district heating, or district cooling, which the company has purchased for its use.

Formula: Scope 2 emissions are calculated per country per bought MWh of electricity, and/or GJ of district heating/cooling. When all emissions are calculated, they are normalized to CO2.

Be aware, that the use of electricity, district heating, and district cooling must be collected per country, as there are significant differences in the emissions of CO2, therefore the converters are different per country.

If the company is buying renewable energy (wind, solar, geothermal, etc.), then, in principle, there are no emissions from these sources, thus these do not impact scope 2.

If the company is selling electricity, this should not be deducted from the bought electricity, but can be reported additionally.

Unit: Metric tonnes

Definition and formula source: Definition and formula source: Nasdaq - FSR report (ESG key figures in the annual report); GHG protocol.

## Diversity

### Gender diversity, Management

Definition: According to the Danish Financial Statements Act, the company defines the management layers to be included, but it could for instance be SVPs and Executives.

Formula: Gender Diversity, Management =  $(\text{Women in Management} / (\text{All FTEs in Management})) * 100$

Unit: Percentage

Definition and formula source: Nasdaq - FSR report (ESG key figures in the annual report)

Gender diversity, Board

Formula: Gender Diversity, Board =  $(\text{Women Board members} / (\text{All board members})) * 100$

Unit: Percentage

### Gender diversity

Formula: Gender Diversity =  $(\text{Women FTEs} + \text{Women Temporary Workers}) / (\text{Full-Time Workforce}) * 100$

Unit: Percentage

## People

### Sickness, absence days per FTE

Definition: Number of full days all own employees are sick and not on job, compared to number of FTEs.

Maternity/paternity leave not to be included. Does not include temporary workers

Formula: Sickness Absence =  $(\text{Number of sick days for all FTEs for the period} / (\text{Total FTEs}))$

Unit: Days per FTE

Definition and formula source: Nasdaq - FSR report

### Rate of recordable work-related injuries

Definition: Work-related injury that results in any of the following: death, days away from work, restricted work or transfer to another job, medical treatment beyond first aid, or loss of consciousness; or significant injury diagnosed by a physician or other licensed healthcare professional, even if it does not result in death, days away from work, restricted work or job transfer, medical treatment beyond first aid, or loss of consciousness

Formula:  $(\text{Number of recordable work-related injuries} / \text{Number of hours worked}) * 200.000$

Unit: Numbers

Definition and formula source: GRI Standard 403-9

# ENVIRONMENTAL TARGETS

Frontmatec is committed to doing its part in preserving the environment. We believe that it is in the best interest of everyone to continuously strive for the betterment of the world, which includes how we conduct business, how we interact with our employees and external stakeholder, and the actions we choose to take to create change with impact.

Change does not come all at once. It is incremental, and so is Frontmatec's journey to becoming the best version of ourselves that we can be.

In Frontmatec, this journey has already begun, but we have realized that in order to create the biggest impact, we must first understand more about how we influence the environment.

In 2020, we did not measure, monitor, or report on Co2 emissions. In 2021, we set out to change that through the "Climate Ready" project. Here, we successfully outlined the method by which entities in Frontmatec can measure their Co2 emissions and in turn, understand where our focus should lie when striving to reduce our environmental impact. In 2022, we will build on the results from our Co2 emission project, and implement company-wide reporting on Co2.

Even though we have yet to achieve this goal of fully understanding and quantifying our environmental impact across the group, we have already drawn numerous insights and conclusions from our Co2 emissions project that have been embedded in our ESG strategy.

Such insights include the weight that our scope 1 and scope 2 emissions carry in the organization compared to our scope 3 emissions from the lifetime environmental impact of the solutions we offer and service. It is within the scope 3 emissions, we see food waste and utility consumption as significant risks.

We have found that by focusing our efforts on ensuring well-maintained equipment and Design for Sustainability, we will not only help our customers and suppliers in realizing their environmental targets and reduce the amount of animal raw material that could be utilized for human consumption from being wasted. We believe this will create the biggest change in Frontmatec when it comes to improving our impact on the environment.

As such, in 2022 we aim to:

1. Establish company-wide reporting on Co2 emissions from scopes 1 and 2 as well as scope 3 emissions related to the lifetime impact of the products we produce.
2. Conduct what we have coined as the 'Frontmatec Product Impact Mapping' to understand which of our products in our current portfolio will benefit most from design for sustainability principles.
3. Strengthen governance, risk, and compliance through digitalization.
4. Collaborate with our customers and business partners to understand and develop products that reduce the lifetime environmental impact of our products.



# DIVERSITY TARGETS 2022

The Frontmategroup consists of units and offices spanning Europe, Asia, and the Americas. Our broad geographical diversity makes us home to many different ethnicities, cultures, religions, and orientations who all share our passion for the industry.

In Frontmategroup, we value and celebrate diversity. This holds true for our employees as well as our business partners. Being a global market leader, we employ and conduct business with a broad spectrum of people and organizations who all belong to different diversity groups.

Frontmategroup strongly believes that diversity in the workplace does not only foster equality but also carries numerous social and economic benefits. One of such diverse factors includes the distribution of gender in an organization.

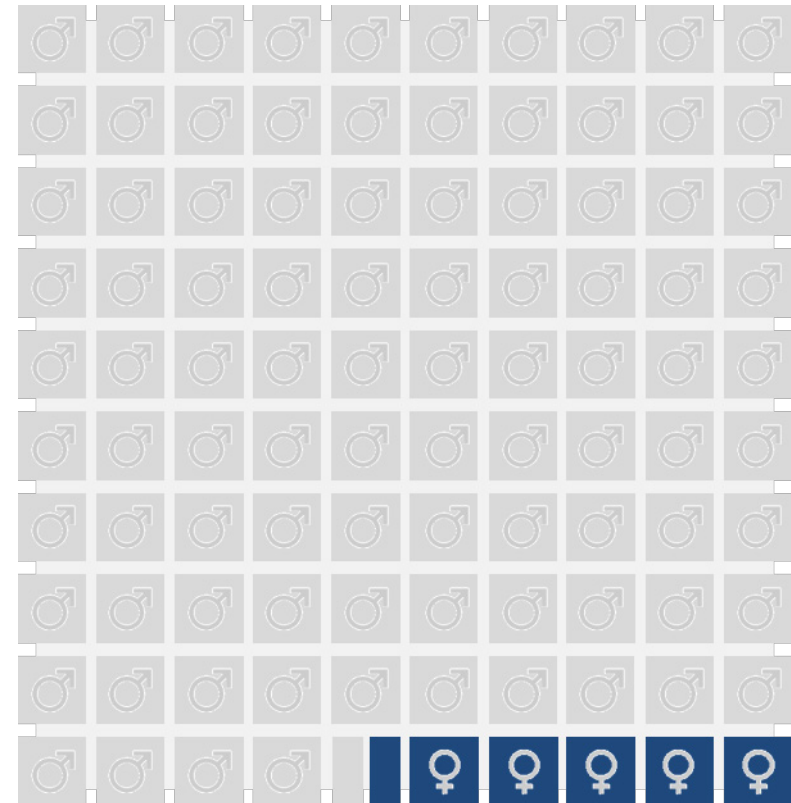
While Frontmategroup is home to many different ethnicities and religions, we have found that the organization is highly skewed toward the male gender. That is why Frontmategroups' diversity targets are focused on increasing the number of female employees in the organization.

In 2021, we conducted an analysis of the Frontmategroup leadership gender distribution and found 6,5% of leaders to be female. This drove us to further establish a company-wide reporting format to gain more transparency in the gender distribution across all employees in the organization.

From the onset of the data collected on gender diversity and equal pay, In 2022 Frontmategroup will assess how to increase gender diversity across the group and distinguish if there is a lack of diversity in general or in specific areas of our business.

Initiatives to increase gender diversity may include:

- Awareness
- Talent acquisition and training
- People development



Gender distribution across Frontmategroup leadership 2021 (~6,5%)  
Company wide gender distribution is ~12%

# PEOPLE TARGETS 2021

An attractive workplace attracts the best people. At Frontmateg, this means creating a safe and positive physical and psychological environment where our employees can perform at their best. This includes the safety, health, diversity, and well-being of our employees.

In 2021, we have taken steps to identify ways of working to measure, address and create a common language for the well-being of employees and management. We have found that it is essential to speak the same language to understand and address the areas of concern that lead to making changes with impact.

A key factor in this has been to look at the skills and tools that our leaders have available when working with their employees and understand how we can ensure that each employee is supported in both their professional and private life.

In 2021, we have also taken steps to ensure that new employees are well received by assessing how we conduct our onboarding programs through levers such as corporate guidelines.

This journey started in 2021, addressing the drivers of motivational growth and employee well-being, and is continued in 2022. We have initiated a partnership with experts on employee engagement tools in certain units and will be based on learnings from this aim to improve overall employee well-being across the group.

## Social

Even though Frontmateg is a global company, each Frontmateg unit is strongly rooted in its local communities. In close collaboration with the local management, our employees are engaged in many activities from fundraising for local charities our employees are engaged in many activities from

fundraising for local charities to social events such as summer barbecues or being active in social clubs. We encourage and support our employees in contributing and being active members of our local communities.

## Health & Safety

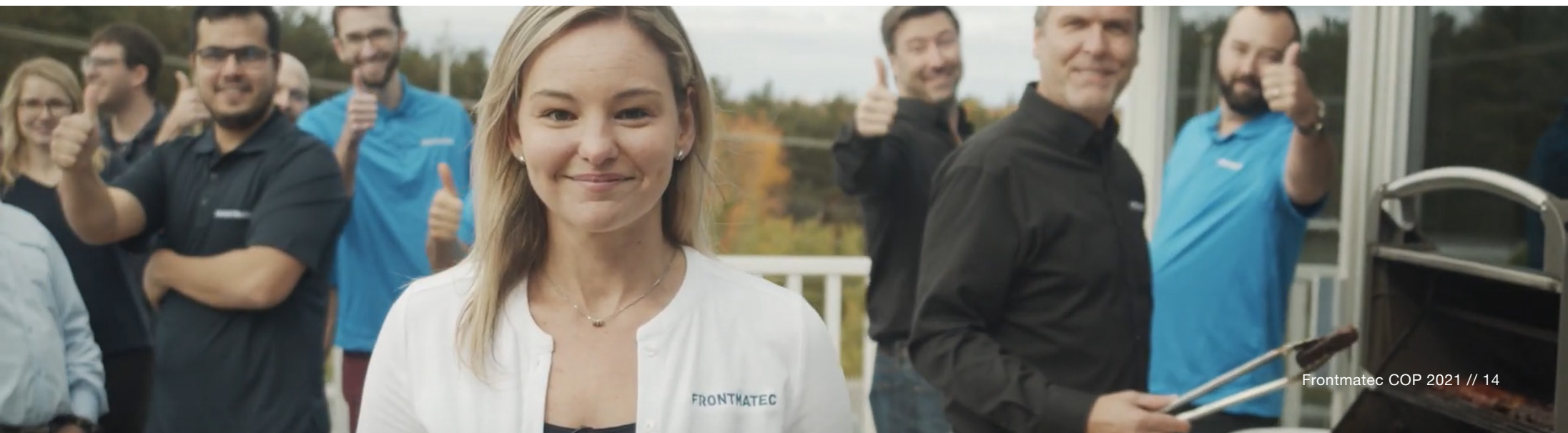
In Frontmateg we continue to develop our Safety Culture. In 2022 we established the Frontmateg Group Health and Safety committee, gathering our business unit's Health and Safety advocates and ambassadors quarterly. In Frontmateg we believe that sharing and learning from our best practices, performances, actions, and drivers will develop our Safety Culture.

Our Frontmateg Group Health and Safety Committee is developing and implementing Health and Safety requirements in consideration of; the volume of business, size and spread of workforce,

and type of work done in the workplace and their associated risks. These associated risks are different considering workplaces like; office, workshop, and site work – where occupational hazards are considered more severe/frequent on-site compared to offices.

In 2022, we are amongst other initiatives implementing the Health and Safety escalation matrix, the Health and Safety Incident alerts, and the monthly Health and Safety performance reporting.

We communicate and promote Health and Safety through our Incident alerts hereunder their preventive countermeasures. We bring Health and Safety to the agenda for all employees, through the monthly Broadcast, the monthly Business Units review, and our weekly Business Unit leader meeting.



# GOVERNANCE

## Governance through sustainability

The Frontmategroup oversees many offices, locations, employees, customers, and other business relations across the world.

At the same time, Frontmategroup is committed to carrying out proper conduct of business and recognizes its responsibility to ensure that its employees and other stakeholders understand and follow the rules and guidelines put in place by the group.

We do this because we believe that communicating our values and our position on important global matters such as privacy, sustainability, corruption, sexual harassment, fraud and more plays a big part jointly (together with our employees, customers, suppliers, and stakeholders) improve the world in which we live.

Additionally, Frontmategroup is a highly trusted advisor and business partner to our customers. A trust we have earned through not only our expertise, commitment, and product ingenuity but also by striving to be recognized as an honest and respectful partner. That is why we in Frontmategroup wish to constantly improve the way in which we govern our business.

We want to be more transparent, improve and enforce rules, procedures, control mechanisms, and practices while creating awareness of such stances within our employees and business partners.

In 2021, Frontmategroup has worked with its policies such as Anti-Corruption, Antitrust, Anti-harassment, Whistleblowing, Trade Compliance, and Code of Conduct. We have reviewed the policies and identified improvements to be instated in the year of 2022 and we have taken steps to further increase awareness of these policies among our employees.

Through our work with governance in 2021, we have identified a need for the digitalization of governance risk and compliance. As such, the following initiatives are planned to be carried out in 2022.

- Implementation of company wide digital GRC platform to strengthen governance and compliance
- Renewal of policies and employee awareness campaign through monthly company broadcasts
- Strengthened governance of sustainability metrics based new emissions reporting





# ANTI-CORRUPTION

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We are strong advocates for principle ten

We hold strong beliefs in Anti-Corruption and do not tolerate any form of corruption or bribery.

We, make continuous assessments of our business exposure to risk in order to avoid any form of extortion and/or bribery.

In 2021, the outcome of our company goal of 2021 was as follows:

- **Zero confirmed incidents in the whistleblowing scheme.**

We are pleased to state that there have been no cases/incidents in the whistleblowing scheme. It is a very positive outcome, but we know we must always stay alert in our fight against corruption including extortion and bribery.

At the end of 2021, we have implemented the EU Whistleblower Protection Directive, setting a new standard for whistleblower protection.

It ensures our employees a safe and anonymous process for reporting any concern they have or have witnessed without fear of dismissal, degradation, or other discrimination.

Offering this approach to any whistleblower will help us have a much better governance structure in place for matters such as tax fraud, money laundering or public procurement offenses, environmental protection, public health, and consumer and data protection.

It is important to us that whistleblowers be informed that they have nothing to fear while at the same time encouraging individuals to report on company infringements.

Our employees at all our sites must feel safe and have the possibility to report any infringements they might know about or any concerns they may have in regard to any illegal activity.



# LEGAL REQUIREMENTS

## Reference to section 99a of the Danish Financial Statements Act

### Sustainability definition - section 99a (1)

Frontmatec reports on all areas of the sustainability definition, including human rights, employee relations, environmental and climate impact, and measures to fight corruption.

### Human rights principles

Concerning Human Right principles, Frontmatec is focused on having a focus on being open and accommodating workplace and hereby respect human rights. Frontmatec is an international workplace, and we can in no way accept discrimination based on race, religion, gender, age, disability, or any other kind. The risk is that discrimination would affect our ability to retain and attract employees as well as damage our reputation. In 2021, there has been no reporting of non-compliant behavior and management is not aware of such.

### Labour rights principles

Frontmatec is an international workplace with production sites in different parts of the world. Having a strong focus on the work environment the main concern in this matter is having serious work-related injuries at our productions site due

to lack of security and similar. It is important that our employees feel safe during their work at Frontmatec.

Health and safety, as well as workers councils, have a significant role in maintaining and further developing this area. Implementation of KPI measurement is another approach implemented to track situations/development regarding work-related injuries. Not focusing heavily on security and other relevant approaches can have a negative impact on the ability to maintain our dedicated workforce, which would affect the production and business in general.

### Environment

At Frontmatec, we are aware of our environmental obligations, and we will therefore through 2021 focus on CO2 emission by participating in the Klimaklar project.

### Anti-Corruption principles

Having a strong focus on compliance in this important matter, it is the assessment that the related risk is low. The primary risk for Frontmatec is that our employees engage directly or indirectly

in bribery and/or corruption. Frontmatec is an International company with entities located in various parts of the world and where business and execution of projects are, in some matters conducted at places where bribery and corruption are more common.

When Frontmatec conducts its business, there is zero-tolerance and Frontmatec will not in any situation accept corruption and/or bribery. Besides the negative consequences for the local society, corruption and/or bribery could harm Frontmatec's reputation and its business. Therefore, Frontmatec ensures that employees are trained, assess risk when conducting business, and are aware of how important it is to avoid any situation of non-compliance.

### Description of policies - section 99a (1)

Frontmatec has following policies in place:

### CSR policy:

In Frontmatec, we want to add value and take responsibility for the way our business affects society while at the same time delivering the best top quality equipment and services to our

customers. Fundamentally, we want to behave responsibly as individuals and as a company. The CSP policy constitutes the framework for our activities and for our profile as an attractive employer and business partner.

### Supplier Code of Conduct:

Frontmatec has a history of working closely with suppliers. Our procurement teams build relationships with suppliers, ensuring that they provide the best value in regards to quality, delivery, and costs.

Frontmatec is committed to adhering to the UN Global Compact, the world's largest sustainability initiative, integrating ten principles in the areas of human rights, labor, the environment, and anti-corruption into its operations.

Moreover, we are committed to advancing the Compacts' ten principles in our sphere of influence, including the supply chain.

Our Supplier Code of Conduct outlines the expectations we have for our business partners in regards to the ten principles.

# LEGAL REQUIREMENTS

## Reference to section 99a of the Danish Financial Statements Act

### **Fraud Prevention Policy**

To ensure safe conduction of payment, and secure fraud handling from 3rd parties. All employees on a high level have signed a documented accepting implementation and awareness of the policy.

### **Anti-corruption and anti-bribery policy**

In Frontmatec, it is our policy to conduct all of our business in an honest and ethical manner. We take zero-tolerance approach to bribery and corruption and are committed to acting professionally, fairly, and with integrity in all our business dealings and relationships. In order to maintain a high level of integrity and credibility in all our external relationships, we have adopted this policy.

All employees on a high level have signed a documented accepting implementation and awareness of the policy.

### **Sanctions policy**

The Frontmatec Group is committed to conducting its business in accordance with all applicable legal and regulatory requirements. The Frontmatec Group strives to operate with integrity and to maintain the highest ethical standards. The primary objective

of this Policy is for Frontmatec Group to maintain a sanctions policy in order to meet its obligations under the Sanctions Obligations or Sanctions Laws and Regulations effective in relevant jurisdictions of business operations of the Frontmatec Group.

This Policy applies to all employees, which includes permanent, and interim employees, management, executive management and any person who represents the Frontmatec Group in any way.

### **Sexual harassment policy**

The purpose of this policy is to make it clear to everyone that Frontmatec Group and its companies [Frontmatec] are clearly distancing themselves from sexual harassment. Sexual harassment is illegal and nobody should be exposed to it.

This policy provides guidelines for prevention and action should sexual harassment occur. Sexual harassment is considered any form of unwanted verbal, nonverbal or physical behavior with sexual undertones and discrimination for the purpose or effect of violating a person's dignity, in particular by creating threatening, hostile, degrading, humiliating or unpleasant climates.

### **General data protection policy, processing of employees' personal data**

The purpose of the policy is to inform the employees about their rights and how Frontmatec collects, process and disclose personal data in connection with, during and after the employment. Frontmatec wants to protect and respect other natural persons' fundamental rights and freedoms, including natural persons' right of protection of their personal data.

### **Governance - section 99a (2) (2)**

Reference is made to sections of every principle stated above.

### **System and "due diligence process" - section 99a (2) (3)**

Where it is required, eg. Anti-Bribery, Suppliers, Sanctions a 3rd party's due diligence is/will be conducted.

Continually training and awareness will be conducted to relevant employees in regard to anti-bribery, Fraud, sanction, GDPR, and other relevant matters.

All policies are supported by the whistleblower solution.

Reference is made to the introduction part – Letter to our stakeholders.

### **Sustainability - section 99a (2) (4)**

Reference is made to rapport in general.

### **Business model - section 99a (3) (1)**

Reference is made to the introduction part of the report – Letter to our stakeholders.

### **Key risk - section 99a (3) (2)**

A description of the key risks (if any) has been stated into each of the relevant sections.

### **KPIs - section 99a (3) (3)**

Reference is made to report and KPI's stated above in the report.

### **Means of reporting - section 99a (5)**

Frontmatec has decided to provide a separate sustainability report, which is available for download from the website

Frontmatec develops world-leading customized solutions for automation in the food industry, other hygiene sensitive industries and the utilities industry. We are especially renowned for our high-quality systems for the entire value chain of the meat industry – from carcass grading, slaughter lines, cutting and deboning lines, hygiene systems and control systems, to logistics and packaging.

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