

Sustainability Report 2021

CEO STATEMENT

2021 continued to be a challenging year for the Guldager Group due to the COVID-19 pandemic.

Despite this we were able to offer our sustainable service offerings to a larger variety of customers in a challenging market with the main driver being the expansion of our value proposition to comprehend water treatment for public pools (especially in Germany and Switzerland) through a number of acquisitions.

During the year we experienced an increasing demand for sustainable solutions as many of our customers seek to reduce their overall environmental footprint.

This market situation enabled us to accelerate our climate ambitions and actions and work even more actively implementing the most sustainable solutions with the lowest carbon footprint and water consumption.

And we've just begun...

Our sustainable strategy continues to be designed to support our business model and at the same time secure our commitment to the UN Global Compact. And we will continue to support and contribute to the development of the principles of the UN Global Compact reporting on progress annually.



Claus Christian Torbøl
CEO

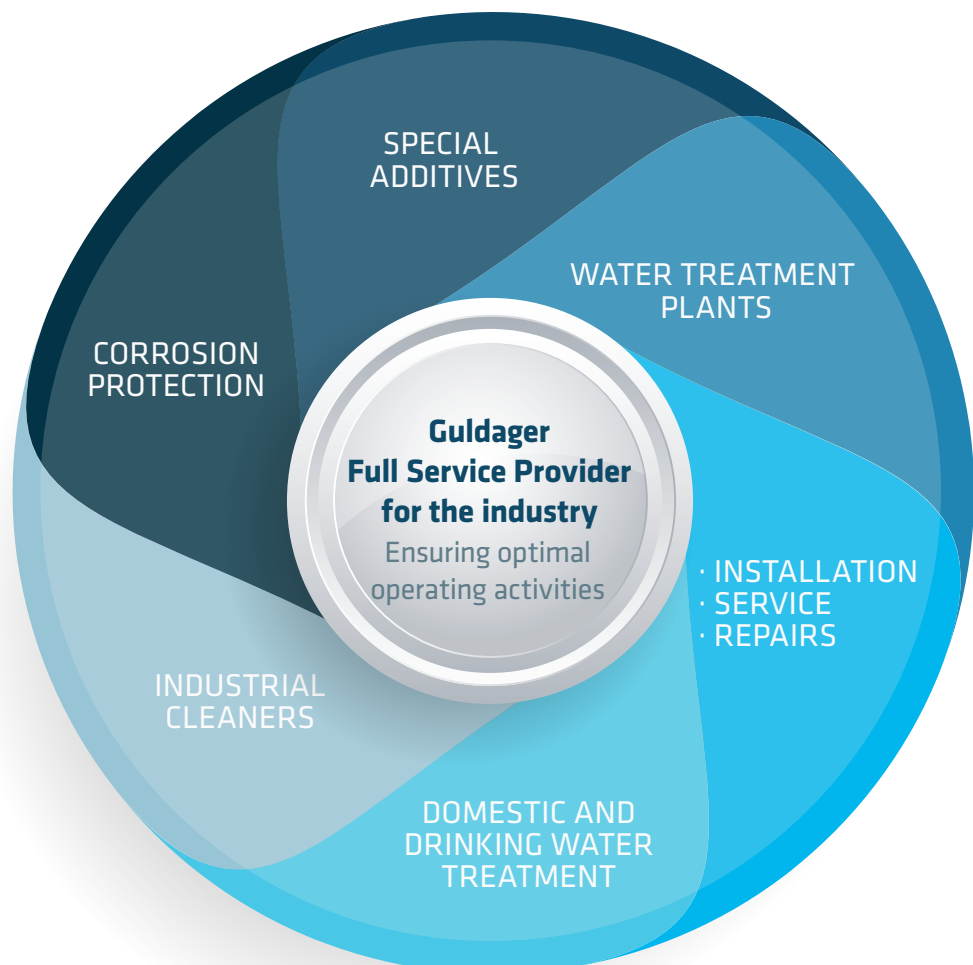


BUSINESS MODEL

Founded in 1946 by Alfred Guldager the Guldager Group is one of Europe's oldest companies within the water treatment industry.

The Guldager Group designs intelligent water treatment solutions to ensure the best possible operating activities, efficient energy utilization, optimal environmental and occupational health and safety impact and to protect capital investments.

With 75 years of experience and access to the latest technologies the Guldager Group is a full-service provider of plants, equipment, additives, consultancy, and services within water treatment.



Operating within customer segments such as domestic and residential apartments, public institutions, and process industry, the Guldager Group has an annual gross profit of more than 50 MDKK providing services to more than 7,000 customers in Denmark, Germany, Switzerland, and Belgium. The company employs more than 100 employees worldwide and is currently owned by the Danish private equity fund Capidea, Hydro-X International A/S and key employees.

At Guldager, we think that water should be treated respectfully and in harmony with the laws of nature and our environment. **We call this philosophy Wise Water Treatment.**

Our vision is that “Everything we do on this planet, every action, every contact with each other, has an impact on the surroundings and spreads like rings in the water...”



We care about sustainability...

In fact, we have done just that for almost a whole century!

This narrative has been core in the company's since establishment and the knowledge about working actively with corporate responsibility has increased dramatically in the past few years.

Two years ago Guldager became a signatory of the [UN Global Compact](#) and started working actively with the defined [Sustainable Development Goals \(SDG\)](#) as we're strongly committed to reducing the direct environmental impact of Guldager's operation (which can be considered enablers to create an even larger reduction in environmental footprint at our customers sites).

The Sustainable Development Goals comprehends a framework of 17 goals and 169 targets to mitigate the world's most urgent social, economic, and environmental challenges up to 2030.






SUSTAINABLE DEVELOPMENT GOALS

Delivering our intelligent water treatment solutions over the years have enabled our customers to reduce their environmental footprint substantially by prolonging the lifetime of their equipment and reduce their consumption of energy and water. But Guldager's delivery of services and products inevitable have an impact on both climate and the environment through consumption of energy, water, transportation, and waste.

Working with SDG's has created a tangible awareness in our work with corporate responsibility work and made our efforts both measurable and visible.

Our strategy on corporate responsibility is centered around a number of SDG's which are currently Guldager's main focus areas and has the most significance for Guldager, the community, and our stakeholders.

Below we've listed the targets with a description based on the UNGC taxonomy and the specific contribution that the Guldager Group provides. Targets are not listed in order of priority as each are considered equally important.

SDG target	Description of target	Contribution
 7.3	By 2030, double the global rate of improvement in energy efficiency.	<p>From the year 2020 we began monitoring Guldager's energy consumption and direct carbon footprint. In 2021 we evaluated possible methods of reducing emission.</p> <p>In the coming year we plan to develop tools to monitor and register energy, water and carbon emission savings of customers through deliveries of Guldager</p>
 12.5	By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse.	In 2021 we implemented waste sorting in Guldager's Danish HQ and through the sorting scheme we aim establish KPIs to monitor our waste production.
 6.4	By 2030, substantially increase water-use efficiency across all sectors and ensure sustainable withdrawals and supply of freshwater to address water scarcity and substantially reduce the number of people suffering from water scarcity.	<p>In the coming years we aim to reduce the overall water consumption at our customers.</p> <p>To reach this goal we will develop a tool to monitor and register water consumption of customers and reductions through deliveries of Guldager.</p>
 8.8	Protect labour rights and promote safe and secure working environments for all workers, including migrant workers, in particular women migrants, and those in precarious employment.	<p>An annual survey work force satisfaction is implemented. Based on the results necessary improvements are implemented.</p> <p>In the coming years we plan to implement a program to prevent work situations that promote employee wear down. This includes a voluntary offer to the employees to have their general health monitored.</p> <p>In 2022 we will set a target to secure number of flex employees.</p>
 5.5	Ensure women's full and effective participation and equal opportunities for leadership at all levels of decision-making in political, economic and public life.	In 2020 we started monitoring the share of women overall, in management and in our board. Based on this we aim on increasing share of women in the board of directors and management, when possibilities arise through natural exchange of personnel.

The improvement in **energy efficiency (target 7.3)** is considered a key target for the Guldager Group as we experience a huge energy efficiency improvement at our customers by enabling them a significant reduction of their energy consumption through our products and services. At the same time, we plan to measure our key supplier's environmental energy footprint year on year and demand an improvement over time.

Recognizing that **waste production** is one of the largest direct impacts of our operation SDG 12.5 has been selected as another key target and during 2021 Guldager initiated a corporation with our waste management company to sort and reuse as much waste as possible. The initiative was initially an investment for the Group but was deemed necessary in order to reduce our environmental footprint through recycling and reuse.

The increase of **water use efficiency (target 6.4)** is obvious in this context as it relates to the core business of Guldager: Improving water quality, minimizing water consumption and enabling water recycling.

SDG's 8.8 and 5.5 were selected based on history of Guldager as a company, who always recognized the importance of employee wellbeing as a key to being successful. And we view both health issues, work safety and gender equality as key factors in maintaining and developing a successful organization in the future.





In 2020 the Guldager Group implemented monitoring of direct carbon emissions and water consumption; thus the 2021 report is therefore our first chance to evaluate the development in direct carbon emissions and other key metrics of environment.

With the figures in the 2021 report we can register a **decrease in carbon emission of the Guldager Group of 14,5%**. The 2020 report identified the operation of our fleet of company cars as the far largest contributor to our overall carbon footprint. Despite increased activity level, we have managed to decrease the fuel consumption, due to our IT-system optimizing road time and thereby saving unnecessary mileage between customers. Another factor is the heavy corona lockdown in Belgium, which has reduced the fuel consumption of our Belgian organization.

In 2021 we have also introduced **hybrid cars** as a company car option, and by the end of 2021 we have installed charger possibilities in the both the DK headquarter and in the Belgian office. We expect these changes to impact the carbon emissions of 2022.

Introducing waste amounts as a KPI was implemented in 2021. Along with this registration sorting of waste fractions was introduced, enabling our employee to sort the waste into 9 different fractions, which increase the recycling potential of our waste. The sorting system has proved successful resulting in **31% of the waste being recycled, 65% being converted to heat by combustion and only 4% ending as landfill**. In 2022 we expect to monitor the development of waste and convert the experiences to influence purchasing in choosing solutions which reduce waste amounts.



In the table below we have listed a number of environmental risk and opportunities, which our company is facing. The list includes long term evaluations performed, when issuing the 2020 sustainability report, but has been updated with recent developments affecting the Guldager business environment. The risk and opportunities have been categorized in accordance with recommendation of the TCFD framework (Task Force on Climate related Financial Disclosures).

Environmental risks

Type of risk	Sub-category	Description of risk	Materiality level	Time horizon	Describe current mitigation activities
Transitional	Technology	A potential scenario where energy costs will decrease because of decreasing solar energy cost following Moores Law of exponential drop in prices of electronics. Low cost of energy result in low incentive to invest in energy efficiency.	Low	Long	Guldager should diversify their product range to become less sensitive to energy cost being the driver of the business.
Transitional	Policy and legal	Abandonment of fossil fuel = Guldager A/S does not currently have the product portfolio to support this development.	Low	Medium-Long	Monitoring technology development and adapting
Transitional	Policy and legal	Pandemic lockdown = Customer segments stop purchasing. Other segments restrict physical meetings.	Medium	Medium-Short	Using remote tools of communication. Developing skills in organization to adapt to the new approach of doing business.

Environmental opportunities

Type of opportunity	Sub-category	Description of opportunity	Materiality level	Time horizon	Describe current mitigation activities
Increased demand for desalination equipment	Products/ services	Global increase in sea level will result in increased salt level in ground water close to Danish shores.	Low	Long	Product development and marketing
Increased demand for water treatment	Products/ services	Global scarcity in fresh water.	Medium	Short-Medium	Product development and marketing
Increased demand for energy efficient equipment	Products/ services	Increase in energy taxes = Incentive to invest in energy efficiency	High	Short	Product development and marketing
Increased demand for energy efficient equipment	Products/ services	Steep increasing energy cost due to Russian energy dependency = Incentive to invest in energy efficiency	High	Short	Marketing and supply of current product & services



In Guldager we have the ambition to be an attractive place of work, where all employees can thrive and develop professionally. Through empowerment of our staff, we aim to give each employee as much responsibility as possible, and the close co-operation between employee and supervisor ensures this ambition by setting clear boundaries of decision responsibility.

We continue to operate under the general employee policy of Guldager, which comprises of a number of policies of specific subjects like work conditions, vacation, sickness, smoking, alcohol, retirement, senior work force, pregnancy, IT and handling of personal data. In 2021 employees were given the possibility to use a confidential and anonymous whistleblower scheme to report knowledge of unlawful behavior within Guldager. The written policies are available in electronic form to all employees.

Guldager is determined to be a diverse workplace; We apply values, that do not tolerate discrimination in any form – this being on gender, faith, color, age, nationality, sexual orientation, disability or politically. Our staff has the basic right to be themselves without risking condemnation, mockery, or isolation.

In 2021 we have registered **a small increase of 3% points in gender diversity**, which we consider a satisfying development. We have not set a target for the percentage of women in the organization due to the composition of the workforce in the industry, which is largely male populated. Our service organization constitutes a major part of or total count of staff; These employees are educated craftsmen, and the general percentage of women in these union groups are low. In the 2020 the union organizing craftsmen in water, heat and sanitation registered only 0,5% female members. This underlines a structural issue, which makes an 50/50 equality target unrealistic to achieve seeing, that only few female employees are available when hiring new craftsmen.

The industry situation heavily affects the gender diversity of the Guldager management, which currently have no female employees. It is our strong ambition to change this situation over time, when the opportunity occurs and with future vacancies gender diversity will be a major priority in filling the management vacancy.

Sickness absence is obviously a clear indicator of our employee's well-being and Guldager strive at having a sickness absence percentage significantly below the industry average. Comparing the level of sickness in 2020 with 2021 **we observe an increase from 2% in 2020 to 4% in 2021**. However approximately half of the absence days are linked to only a few employees, who had longer absence periods. Removing employees with long-time



absence (> 2 months) from the statistics reveals a **sickness absence of 2%**, which we conclude satisfactory considering 2021 coinciding with Covid-19 pandemic.

Concerning work injuries, we have reported an **increase in the LTI rate comparing 2020 with 2021**. The increase is caused by one work injury, which has been evaluated and found to be purely accidental. We could not find a systematic high risk of injury in the way this work is being performed, which is why we have not implemented any work changing, when performing this task.

As a key metric we monitor the employee turnover ratio to follow any undesirable patterns, where Guldager is suffering loss of employees due to dissatisfying work conditions. In case of resignation our policy is always to evaluate the cause of the employee ending the working relationship with Guldager. **In 2021 the employee turnover ratio decreased to 32%** and in 74% of employees leaving Guldager the decision was voluntary – either through retirement, replacement or resignation. Our large number of craftsmen contributes heavily to the size of the ratio. In general this segment of the workforce change jobs quite frequently – also a fact also in Guldager, where almost 6 out of 10 employees leaving were employed in the service organization.

GOVERNANCE



The Guldager Group applies an overall policy of doing business in such matter, that the activities of Guldager does not have a negative impact on human rights. Guldager fully supports and respects the internationally recognized human rights as formulated in the UN Human Rights Declaration and Guldager does not accept child labor, forced labor or any form of human trafficking.

We aim to carry out our business ethically and in compliance with all applicable laws and regulations, imposing a zero-tolerance policy on various issues including the above-mentioned human rights violations, physical and sexual abuse, discrimination, bribery, and corruption.

To support this zero-tolerance policy we have introduced a **global whistleblower system**, which enables all employees to report breaches including economic crime, physical violence and sexual assault or abuse, unlawful discrimination, human rights violations, breaches of duty of confidentiality, breaches of occupational safety and threats to environment, health, and safety. The system is designed to secure confidentiality and anonymity of the employee whistleblowing.

To minimize the risk of our suppliers working in manners, which are in breach with our commitment to performing our business ethically and compliant, we plan to implement a legally binding code-of-conduct, which our suppliers must commit to in order to continue as suppliers. We expect this to be implemented in our supplier relationships in 2022.

In 2021 the Board meeting attendance has remained on full attendance like in 2020. The impressively high degree shows the continued commitment from the Board of Directors in Guldager A/S to be involved in the operation and progress of the company.

With the **gender diversity of our Board of Directors remaining unchanged at 20%**, we failed to reach the 2021 target of minimum 40% female members. The initial 40% target remain unchanged; When board seats become vacant, the gender diversity issue will be a major deciding factor, when replacing the board member.

Key metrics

Through monitoring the direct usage of fuel and electricity, the report covers the environmental impact of direct GHG emissions and water use in our own operations in 2021. This data includes emissions of all countries, where the Guldager group is present, except our recent acquisition of two German companies. It is our aim to include the German organization in the 2022 report.

As a new key metric, we have introduced monitoring of our volume of waste in our Danish headquarter, which over time should lead to an enhanced focus to find waste reduction opportunities.

In 2022 we have continued to monitor gender diversity of the different levels of the organization, and surveilling of lost injury time and level of sickness absence is carried out to ensure the and the health and well-being of our staff.

	2020	2021
Scope 1 emissions (ton CO ₂ e)	314	269
Scope 2 market based emissions (ton CO ₂ e)	30	25
Scope 2 location based emissions (ton CO ₂ e)	11	9
Total emissions (ton CO ₂ e)	344	294
Water consumption (m ³)	1.518	1.203
Waste Denmark, all fractions (kg)	-	8.520 ²
Overall gender diversity (%)	15	18
Board gender diversity (%)	20	20
Management gender diversity (%)	0	0
Employee turnover (%)	38	32
Employee safety (Lost Time Injury Rate) ¹	0,0	1,9
Sickness Absence (%)	2,0	4,0
Board meeting attendance (%)	100	100

1) Lost Time Injury Rate accounting practice has been changed. LTI 2020 in table has been recalculated.

2) Waste April to December 2021