

Sustainability Report 2022

CEO STATEMENT

In 2022, Guldager's third consecutive year of double-digit revenue growth, we continued to focus on a sustainable development of our four business units: a) Building service, b) Industrial service, c) Corrosion and Drytech, and d) Pool service.

Our Industrial service area acquired the Hydro-X Scandinavian activities with more than 1,000 clients in Denmark, Sweden and Norway who were offered stronger sustainable services ensuring access to modern technologies in water treatment for cooling towers, steam boilers and district heating systems.

Also, in general we experienced an increasing demand for sustainable solutions as many of our customers seek to reduce their overall environmental footprint - which enabled us to accelerate our climate ambitions and actions and work even more actively implementing the most sustainable solutions.

Internally, we continued to focus on building a strong culture around accountability and we had our best safety performance for years. Our people are engaged as we are working on diversity through future hiring policies.

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



STRATEGY & PROGRESS

This report constitutes the third ESG report from the Guldager Group and represents an updated statement on our environmental, social and governance efforts.

As mentioned 2022 continued to be a year with high focus on ESG in the Guldager Group - despite challenging market conditions with supply chains under pressure, high inflation, and war in Europe.

Factors, that put our business model under pressure and added an extra layer of complexity to our operations.

On top of that we completed the acquisition of 2 new companies and acquired close to 1,000 new industrial customers on the Scandinavian market which led to a need of integrating new companies and employees into Guldager's ESG agenda and increase our communication to the new customers about our ESG efforts.

Despite these implications we were able to continue working strategically and actively with the defined Sustainable Development Goals (SDG) towards creating a sustainability focused company with social responsibility and reduced direct environmental impact of Guldager's operations worldwide.

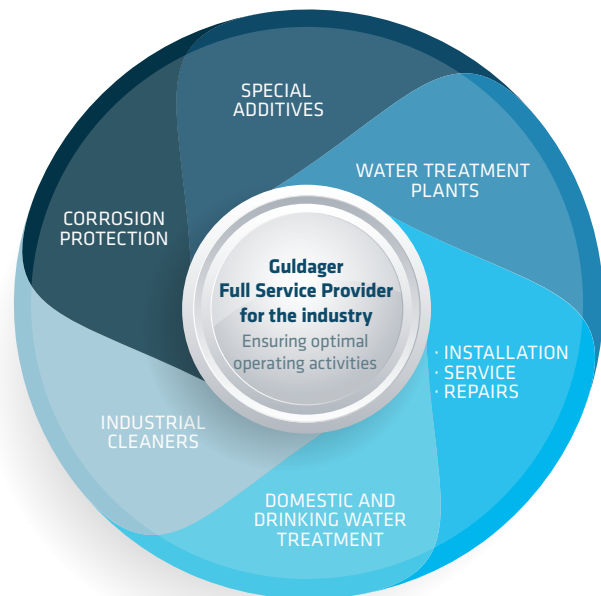
The focus on SDG's has created a tremendous awareness on this subject both internally and externally and currently impacts almost every business decision we make.

Among initiatives in 2022 we increased our fleet of hybrid cars, increased our waste recycling, and sponsored various sport events with charitable purposes (Team Rynkeby, Roskilde Festival etc.). Furthermore, we were given the opportunity to provide sportswear to several handball and football clubs - allowing children from all layers of society to practice sports for free.

But one of our most considerable contributions continues to be inherent in our business model as delivering our intelligent water treatment solutions enables our customers to reduce their environmental footprint substantially by prolonging the lifetime of their equipment and reduce their consumption of energy and water.

We call this philosophy **Wise Water Treatment**.

With experience and access to the latest technologies the Guldager Group has been a full-service provider of plants, equipment, additives, consultancy, and services within water treatment for almost 77 years.



Today we provide services to more than 10,000 customers in Denmark, Sweden, Norway, Germany, Switzerland, and Belgium and employs more than 100 employees.

Inevitably, our delivery of services and products has an impact on both climate and the environment through **consumption of energy, water, transportation, and waste**. Therefore, our strategy on corporate responsibility is centered around a number of SDG's which are currently Guldager's main focus areas and have the most significance for Guldager, the community, and our stakeholders.

These targets are listed below with a description based on the UNGC taxonomy and the specific ambition and contribution that the Guldager Group provides. Targets are not listed in order of priority as each of them is considered equally important.



SDG target	Description of target	Contribution
 7.3	By 2030, double the global rate of improvement in energy efficiency.	Our ambition is to become an energy neutral company. We're in the process of developing tools to monitor and register energy, water and carbon emission savings of customers through deliveries of Guldager and the total (plus Guldager's consumption) should equal zero.
 12.5	By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse.	We want to recycle as much of our waste as possible. Two years ago, 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.	Our ambition is to reduce our customers' overall water consumption. To reach this goal we're in the process of developing a tool to monitor and register water consumption of customers and reductions through deliveries of Guldager.
 8.8	Protect labor rights and promote safe and secure working environments for all workers, including migrant workers, in particular women migrants, and those in precarious employment.	The health and safety of our employees is key to the Guldager Group and we want to protect labor rights in a safe working environment. In 2023 we'll set a tangible target to secure a fixed number of flexible jobs.
 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.	We aim at increasing the share of women in the board of directors and management, when possibilities arise through natural exchange of personnel.

As mentioned above the improvement in **energy efficiency (target 7.3)** is considered a key target for the Guldager Group as our customers experience significant energy savings through our products and services. Going forward we plan to measure our key supplier's environmental energy footprints (to obtain a full picture of our climate impact) and demand improvements over time.

Waste production continues to be one of the largest direct impacts of our operations which is why SDG 12.5 is another key target.

We've initiated an ambition to sort and reuse as much waste as possible and 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 originates from the 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.



Focus on carbon emissions...

Monitoring of direct carbon emissions of the Guldager Group showed an increase of scope 1 and scope 2 emissions from 294 tons CO2 equivalent in 2021 to 312 tons in 2022.

This constitutes a 6% increase, but considering a financial growth of 19% in the same period, the development actually represent a decrease in emissions per revenue unit. In 2022 we have seen a rise in driven kilometers powered by electricity, which significantly decreased our carbon footprint. The phasing in of both hybrid and 100% electric vehicles will be expanded in the coming years, and already this year we have increased both the number of electric vehicles & hybrids and the number of charging stations in our DK headquarters.

In 2022 we introduced monitoring of scope 3 emissions by including the footprint of water consumption, the transportation of goods from suppliers to our location, and transporting goods to our customers. This marks the first step in quantifying scope 3 emissions, where we have the ambition to expand the number of emissions, that are included in this key metric. We consider our total operation to be emission negative regarding carbon dioxide, since our services result in our customers decreasing CO2 emission.

We, however, lack the reporting tool to quantify this value.

In 2021 we implemented waste sorting into 9 different fractions, and at the same time we included waste monitoring as a key metric. This second year of monitoring waste showed an increase in waste amounts of 16% but considering an overall activity growth of 19% we conclude, that the development equals status quo in waste production. When considering the amount of waste being recycled, we observed a significant increase from 31% in 2011 to 57% in 2022. Looking at the amount of waste being sent for incineration or landfill we noted a decrease from app. 7,8 ton in 2021 to 5,8 ton in 2022. Taking company growth into consideration, we judge this development as very satisfactory.

In the table below we have listed a number of environmental risks 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).

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



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
Increased demand for environmentally friendly technology	Product/ services	Increase in egislative demand for environmen- tally friendly technology. Best alternative technology.	High	Short	Product development. Product documentation.



Guldager have an ambition to be workplace, where employees have a high degree of empowerment, and combined with a non-judicial work environment, we aim to create conditions, where employees can thrive and develop both personally and professionally.

Through decades of development Guldager has a thoroughly developed compilation of policies regulating the working conditions of our employees. Among these are policies outlining general work conditions, vacation, sickness, smoking, alcohol, retirement, senior work force, pregnancy, IT, handling of personal data and whistleblowing. The written policies are continuously updated, and the latest edition is made available in electronic form to all employees.

Looking to the well-being of our staff we are satisfied to see, that the **work injury rate has returned to zero in 2022**, which we see as the result of focusing on conducting business with safety as a key value.

Sickness absence is also a key indicator of our employee's prosperity. We registered, that the **level of sickness decreased from 4,0% in 2021 to 3,6% in 2022**. Analysis of the detailed data showed, that 40% of the sick leave was caused by long term sickness of only 5 employees. Clearing the data of this abnormality revealed that most of our staff, had a 2,3% sickness absence in 2022 – a figure that we consider acceptable.

Concerning the employee turnover ratio, we monitor this as a key metric, but with the awareness of details of the figure; Especially considering the rate of employees leaving due to unsatisfying conditions. **The employee turnover ratio slightly decreased to 29%**, however decrease is observed for the second year running. Historically we see a high turnover ratio in the craftsmen segment, because this workforce in general is quite volatile in changing employment. In 2022 over 70% of the employees leaving belonged to the craftsmen segment of our staff.

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.

As described in our previous ESG reports the gender diversity in the Guldager personnel is highly affected by the fact, that a major part of our staff are craftsmen, which makes us subject to the non-diverse gender composition of the general workforce of craftsmen, where statistics show only 0,5% female employees (Union figures, 2020, water heat and sanitation craftsmen).



Due to these conditions of society, we consider our influence to change diversity as low, which is the reason, why we have not set a direct target of gender diversity in the Guldager Group, but we remain highly ambitious to prioritize gender diversity, when vacant positions are filled, and female applicants are available. In 2022 **we noted a slight decrease of 2% points in gender diversity**; With the described limitations we accept this figure, but remain unsatisfied with the overall conditions, which does not allow us to improve diversity.

On management level the low gender diversity overall in the Guldager Group strongly affects the diversity in the management group. **The level of women in management remains unsatisfactory in 2022**, and it is still the ambition of Guldager to increase the presence of women in management, when management vacancies arise.

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.

In 2021 we implemented a global whistleblower scheme, which allows all employees to anonymously to report breaches of our zero-tolerance policies. This includes reporting of violations like 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 reporting is done through an external body to secure confidentiality and anonymity of the employee. **In 2022 no reports were made** indicating that ethically way of doing business is integrated in the back bone of the Guldager Group.

The Board meeting attendance has been very close to 100% in 2022. The attendance has been continuously on this very high level through all the reporting years, which emphasize the continued involvement of the Board of Directors in Guldager A/S to secure future progress of the company.

The gender diversity of our Board of Directors stayed unchanged one fifth of the board. With a low replacement ratio and share ownership consideration opportunities to increase the diversity are few, but we still maintain an objective of reaching a share of 40%, thus giving heavy importance to gender diversity, when filling vacant board seats in the future.

Key metrics

The Guldager sustainability includes the direct GHG emissions of operation of the Guldager Group in all countries except our German organization. Due to reporting difficulties the direct emission the contribution of the German operation has not been included in this report. Financially the German operation contribute 12% to the total revenue of the Guldager Group. Improving the reporting procedure thereby including the emissions of Germany will be a top priority for 2023.

As a new key metric, we have initiated reporting of Scope 3 emissions by including the amount of GHG emissions made through the transportation of goods caused by our operation and the total water consumption of our group. However, the Scope 3 reporting in the 2022 report only includes the freight emissions indirectly made by the Danish organization.

	2020	2021	2022
Scope 1 emissions (ton CO ₂ e)	314	269	267
Scope 2 market based emissions (ton CO ₂ e)	30	25	45
Scope 2 location based emissions (ton CO ₂ e)	11	9	16
Scope 3 emissions (ton CO ₂ e)	-	-	52
Total emissions (ton CO ₂ e)	344	294	335
Water consumption (m ³)	1.518	1.203	1480
Waste Denmark, all fractions (kg)	-	8.520 ¹	13.233
Overall gender diversity (%)	15	18	16
Board gender diversity (%)	20	20	20
Management gender diversity (%)	0	0	0
Employee turnover (%)	38	32	29
Employee safety (Lost Time Injury Rate) ¹	0,0	1,9	0,0
Sickness Absence (%)	2,0	4,0	3,6
Board meeting attendance (%)	100	100	97

¹⁾ Waste April to December 2021