

2016 Sustainability Report and Code of Conduct Carl J. Nielsen A/S.

The Carl J. Nielsen Sustainability Report and Code of Conduct was submitted to the UN for the first time in September 2012. A year has passed and the 2016 version of the report thus contains a follow-up on the actions carried out by Carl J. Nielsen in 2015/2016.

Carl J. Nielsen's commitment to the UN Global Compact has been very well received by the company's customers, and we have been encouraged to enter into dialogue with one of these to share our actions towards a more sustainable business.

Our responsibility: An introduction

In late summer 2011 Carl J. Nielsen A/S signed up for the Global Compact, the UN initiative to promote ethical business practices. As a member, we are committed to observe and integrate the Global Compact's 10 fundamental principles in our strategy and culture, and to share this commitment with our employees, suppliers, partners and customers.

Carl J. Nielsen A/S operates in the food industry, and we are thus entrusted a great responsibility for the health and well-being of the people we serve. We want customers and consumers alike to feel completely confident about the quality and safety of our products.

Our mission is to offer our customers high-quality products through solid partnerships and strong relations; our consumers delicious and safe ingredients in the food they consume; and our employees a healthy and inspiring working environment.

As we source most of our spices from developing countries in Asia and Africa as well as Europe, we have a responsibility for the quality of the products we purchase, as well as for the people, societies and environments involved in our supply chain. The issue about environment has been increased very much during the last years and we make a big effort to be an active part of this process.



Responding to these responsibilities we have developed this sustainability document, which include a Code of Conduct, stating what we as a company expect of ourselves, and of our suppliers.

Our ambition is to move Carl J. Nielsen A/S's sustainability efforts from a focus on handling GMO/chemical additives in our production and compliance with national legislation and standards, towards an increased focus on efficient energy-consumption and waste handling in our own production and throughout the supply chain. Furthermore, we will prepare internal processes for developing our suppliers and improve the on-going dialogue with our stakeholders in connection with these efforts.

1. Our company.

From nature, through technology, to you.

Carl J. Nielsen A/S is a Danish company operating in the food sector, where we supply spice and spice blends for the industry. Primarily, we supply the industries involved in the production of meat, fish, cheese, salad and bread, but a considerable part of our revenue also stem from catering and wholesale. As a new business line we have added organic products to our business.

Our line of customers include, among others, leading companies in the food industry: Arla Foods, Orkla and Danish Crown.

The company was founded in 1923 by Carl J. Nielsen and operates out of the city of Randers, which is centrally located in Denmark. Carl J. Nielsen A/S is a family-owned company, and is run by the third generation of the Nielsen family, Michael K. Nielsen.

At Carl J. Nielsen A/S we have a constant focus on production processes, and through the most recent technological advances we have continuously transformed and equipped our production center and factory to meet the demands of the future. Both when it comes to delivery, reliability, quality and environment.



Our mission is to be the preferred supplier of both our national and international customers. We want to be the company solving our clients' tasks when it comes to taste and consistency. Our goal is to make it convenient for our customers to work with and purchase from Carl J. Nielsen A/S, and on a continuous basis we want to be the supplier of spices and blends for the industry - with Scandinavia, Finland, Poland, Baltics and Germany being our primary markets.

1.1 Facts and figures

In 2015 the company had an gross profit of 56 million DKK, and a result of -0,66 million .DKK. We employ 24 people, who work at our two facilities at Nyholmvej and Eskærvej in Randers, Denmark.

1.2 Our suppliers

At Carl J. Nielsen A/S we work with a large number of different suppliers to ensure that we always have the right supply of the required products in the right quality available.

We work only with authorized suppliers, who through many years of cooperation have proved that they can meet today's requirements of quality, documentation and delivery.

We source raw ingredients from every corner of the world. India,Indonesia, and Vietnam are the principal suppliers of spices such as pepper, cinnamon, cardamom and cloves.

India and the USA supply the greater part of the oleoresins used for blends. When it comes to onions, Egypt, India and the USA are the main suppliers.

The Balkan and Mediterranean countries supply vegetables, herbs and seeds.

2. Identifying our challenges

Carl J. Nielsen A/S operates in an industry focusing on sustainability when it comes to: the products themselves (genmanipulation and chemical processes), violation of international



standards in the value chain, as well as environmental sustainability (CO₂ emissions, use of water resources and waste).

It has thus been crucial for us to identify risk exposures in connection with the enforcement of the Global Compact principles.

2.1 Our supply chain

In our supply chain we have identified various risks when it comes to:

1. Packaging

The environmental effect when it comes to waste, and to use as little and as efficient packaging material as possible.

1. CO₂ emissions

As we import most of our ingredients from abroad, we also need to be continuously aware of the impact of transportation when it comes to CO₂ emissions.

3. Corruption

As we source from countries, where corruption and bribery is still used to a greater or lesser extend, we need to formulate clear politics and guidelines for how to prevent corruption and bribery in our supply chain.

2.2 Our Danish facilities

At our production facilities in Denmark we have furthermore identified the risk of:

1. Working accidents

We have formulated several safety guidelines and engage in the training of our employees when it comes to safety at work. This has had a very good effect, and the number of accidents is at a minimum level.



2. Waste handling and CO₂ emissions

We strive to minimize our global footprint on the environment. Thus, in phase two of our sustainability work a considerable amount of efforts and resources will be devoted to solving environmental issues.

2.3 Actions

In a risk analysis conducted in 2011 ten countries was categorized into low, middle and high-risk countries. Three of the countries, from which Carl J. Nielsen A/S sources directly, were identified as high-risk countries. Of these direct suppliers, two expose Carl J. Nielsen A/S of risk.

2.3.1 Audits

In 2015/2015 we have thus focused our efforts on these two countries, Egypt and India respectively. Due to the unstable political situation in Egypt the planned audits in the country have been postponed. In India, however, our supplier has done a notable job in securing proper working condition. Furthermore, the supplier shows a positive social engagement and has, among other initiatives, established a fund supporting local schools, hospitals housing for pure families.

Audits of suppliers categorized as middle-risk companies will be conducted in the coming years. We plan to audit two supplier companies each year. Risk exposure will be the determining factor for the selection.

We have implemented and conducted supplier sustainability audits. For these audits we have will develop a toolbox - a guide - in order to secure that all crucial supplier conditions are covered. In the formulation of such a questionnaire guide, Carl J. Nielsen A/S has consulted the Global Compact Self Assessment Tool. Further more we have joined the European Spice Assosation ESA to be on line with new trends and informations about markets.

When it comes to the risks identified in our own production we will, for a start, focus our efforts on work accidents; food safety (when it comes to approved materials), as well as anti



corruption. We have also expanded our efforts by working to improve our environmental effects of packaging, waste as well as CO₂ emissions in production and transportation.

3. What we have already accomplished

Quality and food safety are fundamental values for our company. Working with food products requires the highest degree of control and hygiene. From the very instant the products arrive until the final food control just before they leave our facilities, we monitor and control them. All along the way we test the products. In September 2006 we thus became ISO Certified.

3.1 FSSC 22000 Certified

Carl J. Nielsen A/S is certified FSSC 22000 according to the Food Safety Standard by Force Institute - Food Safety System Certificate.

FSSC 22000 specifies requirements for a food safety management system where an organization in the food chain needs to demonstrate its ability to control food safety hazards in order to ensure that food is safe at the time of human consumption.

FSSC 22000 specifies requirements to enable an organization to:

- 1 plan, implement, operate, maintain and update a food safety management system aimed at providing products that, according to their intended use, are safe for the consumer.
- 2 demonstrate compliance with applicable statutory and regulatory food safety requirements.
- 3 evaluate and assess customer requirements and demonstrate conformity with those mutually agreed customer requirements that relate to food safety, in order to enhance customer satisfaction.
- 4 effectively communicate food safety issues to their suppliers, customers and relevant interested parties in the food chain.
- 5 ensure that the organization conforms to its stated food safety policy.
- 6 demonstrate such conformity to relevant interested parties.



- 7 seek certification or registration of its food safety management system by an external organization, or make a self-assessment or self-declaration of conformity to FSSC 22000.

Source: Force Institute - Food Safety System Certificate.

3.2 Supplier audits

We conduct audits among our suppliers based on the specifications of the products purchased, and we include procurement specifications as appendices to all our contracts. Future audits will be designed to incorporate questions concerning the sustainability of our suppliers. To this job and in general for our purchase we have engaged a purchaser who will take care of this with our QM team.

We are considering taking the first steps towards creating a CRM system, which will gather data regarding all our suppliers. Our suppliers' efforts when it comes to sustainability should be included in this database.

4. Carl J. Nielsen A/S Code of Conduct

The purpose of our Code of Conduct is to acknowledge our company's position in a global world, where we are responsible not only for our own business, but also for the way in which our suppliers and subcontractors operate.

In the following we will make our business principles clear to our suppliers, our customers and ourselves.

Our Code of Conduct is a non-negotiable requirement and will be communicated to all suppliers. They and their subcontractors should follow this code.

We furthermore urge all our suppliers and business partner to support the Global Compact.



4.1 Compliance with the UN Global Compact

In 2011 Carl J. Nielsen A/S joined the Global Compact, the UN initiative to promote ethical business practices.

The UN Global Compact principles fall under four categories, and asks companies to embrace, support and enact, within their sphere of influence, a set of core values regarding: Human rights, labor, environment, anti-corruption.

4.2 Carl J. Nielsen A/S Politics

1. Legal requirements

Our general rule is that all suppliers must, in all their activities, follow the national laws, regulation and industry standards in the countries, where they are operating.

It is important to understand that Carl J. Nielsen A/S's requirements may not be limited to the requirement of the national law. We encourage our suppliers to comply with ILO and UN Conventions.

2. Child labour

Carl J. Nielsen A/S does not accept child labour. We base our policy on child labour on the UN Convention on The Rights of the Child. Work must not interfere with education. Throughout 2013/2014 we have kept a strong focus on fighting child labour, and these efforts will continue in 2016/2017 and onwards.

The minimum age for full-time employment shall not be less than 15 years- or 14 years where established by local laws in accordance with the ILO developing-country exception.

Employees under 18 years of age are not to be involved in hazardous work or to work at night regardless of the numbers of hours working.

3. Forced labour and freedom of movement

All employees must have the freedom of movement during the course of their employment. Guards must only be posted for normal security reasons to protect employees and the property of the company.

4. Discrimination



Discrimination, directly or indirectly, in hiring and employment practices on grounds of race, color, sex, languages, religion, political or other opinion, age, national, social or ethnic origin, property, sexual orientation, birth or other status must not be engaged in or supported. It must not be required that female employees are subjected to mandatory pregnancy tests. It must not be required that employees are subjected to mandatory HIV/AIDS tests.

5. Wages, benefits and working hours

Employees shall be paid a decent wage, and at least the minimum wage required under local laws and regulations. Additionally all benefits required by local laws and regulations must be provided. Wages must be paid in legal tender and not less frequently than on a monthly basis. Employees are entitled to sick and maternity leave as provided by local laws and regulations.

All employees with the same experience and qualification should receive equal pay for equal work.

Weekly working must not exceed the legal limit, and overtime work should always be voluntary and properly compensated.

6. Employment terms

Employees must be provided with written confirmation or employment terms, if and as required by local laws and regulations.

7. Freedom of association and the right to collective bargaining

All workers should be free to join associations of their own choosing, and they should have the right to bargain collectively. We do not accept any disciplinary actions from the factory against workers who choose peacefully and lawfully organize or join association.

8. Health and safety

A safe and healthy working environment must be provided, in compliance with all local laws and regulations. One or more management representatives are responsible for establishing written policies and procedures regarding health, safety, welfare and general facilities and



that these policy topics are adhered to. We will continuously strive towards our goal of having no work-related accidents.

9. Environment

The environment is of an increasing concern globally, and Carl J. Nielsen A/S expects our suppliers to act responsibly in this respect. Our suppliers must comply with all applicable environmental laws and regulations in the country of operation.

Suppliers must have a management system in place to reduce waste, energy and emissions to air, ground and water; handle chemicals in an environmentally safe way; handle, store and dispose of hazardous waste in an environmentally safe manner; contribute to the recycling and reuse of materials and products; implement environmental friendly technologies.

10. Corruption and bribery

Bribes must not be offered, promised, given, accepted, knowingly benefited from, or demanded.

11. Monitoring

Suppliers shall maintain, on site, any documentation that may be necessary to demonstrate compliance with this Code of Conduct. All suppliers are required to provide full access to on-site inspection by Carl J. Nielsen A/S or its designated representatives and access to all records that might determine compliance with the Code of Conduct.

4.3 Compliance with DI's 10 Principles for good food practice

Carl J. Nielsen A/S has signed up for the 10 principles for good food practice. Supporting the initiative we commit ourselves to a strong focus on production, food safety and ethics. The commitment entails that:

1. We are open and accessible and communicate and dialogue with our customers, consumer and other stakeholders.
2. We put the needs and demands of our customers first in product development.
2. We constantly work to improve our joint efforts regarding quality.
3. We only produce, deliver and market safe products.



4. We constantly improve on hygiene and food safety
5. We communicate and dialogue with our employees and make sure that they work in a healthy and safe environment.
6. We strive to develop a wide assortment of nutritious products
7. We meet our customers and consumers needs for clear and relevant information
8. We are environmentally responsible and work to reduce our global footprint.
9. We support national and international conventions and standards with focus on human rights, labour rights, environment and corruption.

5. Code of Conduct for suppliers

Carl J. Nielsen A/S is primarily exposed to violation of the Global Compact principles through suppliers located in countries, where national legislation and control cannot secure proper working conditions and care for the environment.

In order to be a responsible and sustainable company, and in order to live up to the Global Compact principles on human rights, labour rights, environment and anti-corruption we are dependent not only on our own actions, but also the actions taken by our suppliers and their subcontractors.

Therefore, we urge our suppliers also to take responsibility for their business, the environment, societies and the people it affects. This responsibility also incorporates the subcontractors working with Carl J. Nielsen A/S suppliers.

We have therefore embarked on the development of a supplier Code of Conduct, where we express our expectations on their behalf when it comes to sustainability. In 2014 we have taken further steps in creating a detailed Code of Conduct towards existing and new suppliers.

1. Carl J. Nielsen A/S expects that suppliers respect and follow national laws and industry standards.
2. We expect that our suppliers comply with the Global Compact principles when it comes to human rights, labor, environment and anti-corruption.



3. This responsibility also incorporates the subcontractors working with the suppliers.
4. Carl J. Nielsen A/S expects that conditions, which are not in accordance with the Global Compact principles are either solved or terminated.
5. We are more than willing to enter dialogue with all suppliers, as well as assist them in incorporating and following the principles.
5. We require that existing as well as future suppliers follow our Code of Conduct and we urge all our business partners to support the UN Global Compact.
6. If a supplier within an agreed timeframe has not solved or terminated activities and actions in violation with the Global Compact the relationship will be put to an end.

6. Next step: Goals and actions

In our work with the Global Compact we will in the near future set up goals for:

1. Work related accidents

Our goal is to have no working accidents - we assess risks, evaluate and validate every new machine, work task or other assignment entering our production system. We host security meetings, where our safety procedures are evaluated and approved. We have not seen any working accidents in the past year.

2. Employees involved in training when it comes to work place health and security.

All employees will be trained, so that they are able to take on the various routines and tasks appointed to them.

3. Number of audits among suppliers

As stated in part 2.3.1 we will carry out two annual audits, starting with the suppliers identified as operating in high-risk countries. In 2013/2014 audits were to be carried out in Egypt and India. Audits in Egypt had to be postponed due to the unstable political situation in the country. Audits in India were carried out, and our supplier there has taken important steps in improving working conditions. Furthermore a fund supporting local schools has been established.



Our Global Compact and sustainability efforts will become an integrated part of our quality control, and the discussions regarding these subjects will be part of our two annual board and management meetings, where we already discuss ISO standards etc.

Responsible for our work with the Global Compact are managing director, Michael K. Nielsen and quality manager, Hanne Andersen.

Every year Carl J. Nielsen A/S will assess and evaluate the risks to which the company is exposed and the dialogue with all stakeholders. Based hereon necessary actions and initiatives will be formulated and executed.

We will provide all our suppliers with our Code of Conduct, and require a signed copy back. We will furthermore provide information about our commitments and actions to the Global Compact as well as other relevant organizations. Control, follow-ups and audits will be integrated into our quality procedures and system, in order to ensure that risk assessments, evaluation and validation of suppliers become an integrated part of additional management evaluations in Carl J. Nielsen.

Randers 19.August 2016

