



Viscofan:

engagement commentary

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Global SMID Equity Engagement*
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*Formerly SDG Engagement Equity

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ENGAGEMENT COMMENTARY:

Viscofan

Overview

Spain-headquartered Viscofan is a global manufacturer of artificial food casings made from cellulose, collagen and plastic, primarily for use in the meat industry.

At a glance:

US\$3bn

Market capitalisation
(June 2026)

US\$1.4bn

Revenue (financial year 2025)

5,721

Employees (financial year 2025)

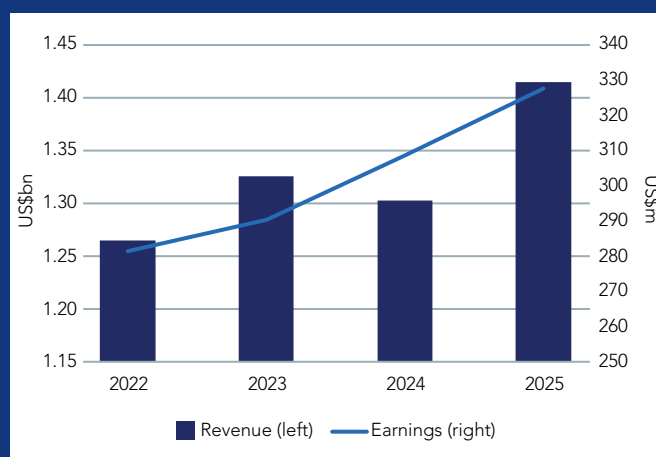
455,300MT

CO₂e Scope 1 & 2 GHG emissions

Investment case

- Viscofan is the global market leader in artificial sausage casings. It is the only company to use collagen, cellulose and plastic in its products. The company has a market share of 23%¹ and has plenty of opportunity to expand its position.
- The company has invested in its facilities, pushing Viscofan margins above the industry average. Viscofan's Beat30 strategic plan provides a blueprint for an acceleration in the company's growth.
- The global shift from animal-based casings to artificial alternatives is evident in rising per capita consumption in emerging markets, providing a strong structural tailwind for the company.

Figure 1: Viscofan revenue and earnings growth



Source: Viscofan company reports

¹ Company reports

Please note that this Fund's name changed to Federated Hermes Global SMID Equity Engagement (from SDG Engagement Equity) on 24 April 2025. The name change highlights that we are a Global SMID strategy – which is important because small and mid-cap companies (SMIDs) are where we believe the greatest sustainability improvement potential lies and engagement is the tool to unlock that potential.

Our engagements are still linked to the UN Sustainable Development Goals (SDGs), and we will continue to report our engagement alignment to the SDGs within our reporting.

Key ESG topics

- **Chemical management** – safe management and use of hazardous substances.
- **Water intensity and discharge** – large volumes processed and discharged to municipalities.
- **Energy resilience** – 24/7 industrial processes with significant heat and power needs.
- **Employee health and safety** – aforementioned exposure to chemicals and industrial processes.

Theory of change

Viscofan is a global leader in artificial food casings, a critical input to the production of protein products. As a leader in developed markets and Latin America – and the number two player in China – Viscofan has the opportunity to provide millions of people around the world with access to affordable basic nutrition.

- **Viscofan produces enough casing every year to stretch from the Earth to the Moon more than 24 times**

While its end-market supports the provision of affordable food, the underlying manufacturing processes – particularly within cellulose casings – are inherently **chemical, water and energy intensive**, involving caustic soda and carbon disulfide. As such, the environmental footprint of production sites can be significant, particularly for older or historically underinvested facilities.

From a sustainability perspective, improvements in process efficiency and environmental controls including air emissions, water usage and waste management at scale can deliver **meaningful reductions in environmental harm**, while preserving (and potentially enhancing) the affordability and accessibility of protein products.

Conversely, weaknesses in operational controls can lead to community, regulatory and reputational risk, as highlighted by the Hunterbrook allegations in Q4 2025 relating to the company's Danville cellulose facility in Illinois².

The Danville facility is a legacy asset (originally built in 1957) that passed through multiple owners and periods of underinvestment prior to Viscofan's acquisition in 2006. The allegations underscore the risks associated with such assets. The case illustrates the importance of continuous reinvestment and modernisation in industrial sustainability, particularly across acquired or older sites.

Practice of change

Following the Hunterbrook allegations, we engaged proactively with Viscofan management, organising multiple meetings with senior leadership to understand the issues raised, the company's response, and the robustness of its environmental controls.

We prioritised gaining direct insight into its US footprint, culminating in **site visits to both Danville (cellulose) and Bridgewater, New Jersey (collagen) – the first time the company had hosted investors at these facilities.**

Our site visits confirmed that the Danville site has undergone a **material transformation over the past few years**, supported by approximately €60m of investment. This includes the installation of new production lines (replacing legacy technology), upgrades to wastewater infrastructure (including new treatment lagoons), and enhanced handling and storage systems for hazardous inputs such as carbon disulfide. While the process remains inherently intensive, our impression was of a site where **historical shortcomings had been actively addressed.**

- Management is committed to certification efforts, including ISO 14001³ and zero-waste certification by year-end 2026.

Importantly, the visit also provided insight into the social dimension of the transition. The company has undertaken an overhaul of its employment strategy at Danville over the last few years, following legacy labour disputes and union tensions that led to friction in the local community.

This backstory provides some context on the Hunterbrook allegations.



² [Poisoned USA: How The Sausage Is Made — Literally - HUNTERBROOK](#)

³ ISO 14001 is the leading international standard for Environmental Management Systems (EMS).



However, our visit confirmed that much has changed. Our observations suggest that today it has a **stable and aligned workforce culture**, with very low turnover which has led to improved productivity.

- Employee turnover at Viscofan's Danville and Bridgewater sites is about 2%.

The company's Bridgewater collagen facility – originally developed by Johnson & Johnson – has been significantly modernised. It is now highly automated and less chemically intensive. The facility operates in accordance with established certifications and robust traceability standards. It reinforces our view that Viscofan is capable of operating at a high environmental and operational standard.

Overall, our engagement and site visits suggest there is **clear evidence of focused investment, improved oversight, and strengthening of operational controls**.

Next steps

We continue to engage with Viscofan with respect to these issues as well as other matters.

As noted already, the company is a high energy user and recognises it needs to reduce its dependence on fossil fuels and enhance its energy resilience in line with the global energy transition.

To that end, the company is investing to diversify its energy usage away from gas. It is building electric boilers to complement a biomass generator.

The group has cogeneration plants that enable greater efficiency and should reduce emissions as well as ensuring continuity of supply at its Caseda (Spain) and Weinheim (Germany) locations.

Such investments are illustrative of the forward planning approach of management. The plants should continue to provide reliable baseload thermal and electric power (as well as green hydrogen capabilities).

Near-term execution

- Delivery of **ISO 14001 certification at Danville by year-end**, as indicated by management.
- Achievement of **zero-waste certification at both Danville and Bridgewater**.

Operational and environmental priorities

- Ongoing reduction in **chemical emissions and water intensity** through process optimisation.
- Continued investment in **legacy assets globally** – in particular with respect to acquired, and often underinvested, assets.

Governance and oversight

- Clear articulation of **capital expenditure (capex) prioritisation for sustainability upgrades**, particularly for acquired or older facilities and those sites located in higher water-stress locations.

Social considerations

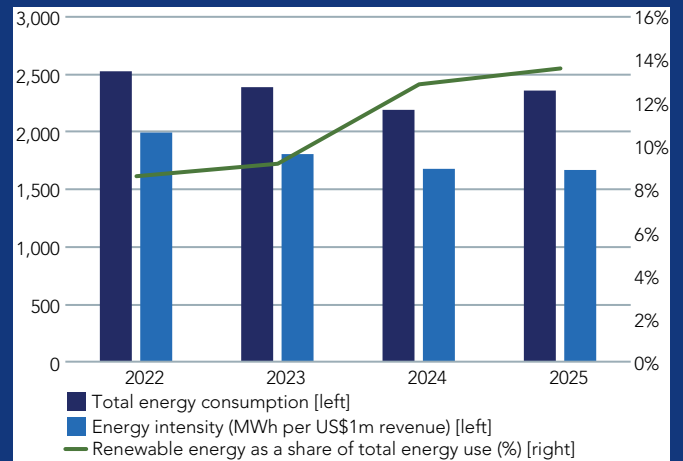
- Continued focus on **workforce safety and engagement** – providing decent quality and safe work.

Summary

The Hunterbrook allegations highlighted the real risks associated with Viscofan’s operations, particularly where legacy assets and intensive industrial processes intersect with local communities. However, our engagement suggests that the company has recognised these risks and has been investing meaningfully in solutions to address them.

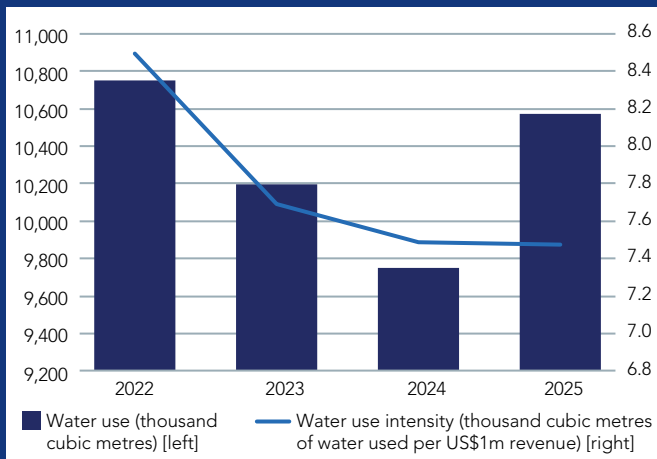
We see Viscofan as a business where environmental improvement at scale can deliver tangible societal benefit, but where continued progress will depend on sustained operational discipline, transparency and investment. As such, we will maintain close engagement, focusing on ensuring that improvements translate into consistent, group-wide standards over time.

Figure 3: Energy intensity is falling and renewables use is rising



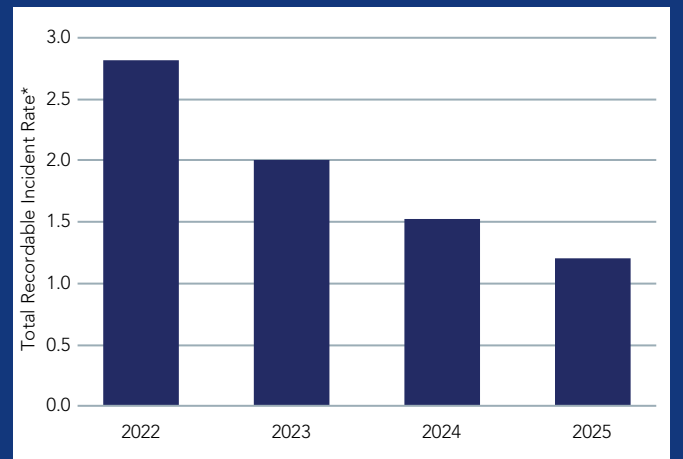
Source: Viscofan

Figure 2: Water use intensity continues to improve



Source: Viscofan

Figure 4: Health and safety performance is improving



Source: Viscofan / *Total recordable incidents per 200,000 hours worked



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