



Kohberg Bakery Group A/S

# UN GLOBAL COMPACT

May 2011

## COMMUNICATION ON PROGRESS (COP)



## REPORT NO. 001





Kohberg Bakery Group A/S

Statement from our Chief Executive Officer (CEO)

## Support of UN Global Compact

During 2010 we at Kohberg Bakery Group has increased our focus on CSR and as part of this the principles in the UN Global Compact and especially the environmental area.

As a member of the UN Global Compact since July 2009, we believe that our business policies incorporate 10 ten principles from the UN Global Compact, e.g. through our Code of Conduct. Our board fully supports our actions in working towards sustainability goals – in particular those contained in the UN Global Compact – and endorse the future priorities and specific targets we set out in our report.

Through our support of the UN Global Compact, we also aim to move the agenda forward on performance related to human rights, labour rights, the environment and the fight against corruption. In our annual report, we have summarised the progress we have made against each of these principles and we will continue to follow up on them in future reports.

We have both as speakers in CSR meetings and through massive press coverage about our environmental agenda placed our position as the number one bread company in Denmark with focus on CSR.

We are in this report happy to announce some very positive developments, especially concerning the environmental focus areas.

Kohberg Bakery Group A/S

Jan Gerber  
CEO





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## Corporate Social Responsibility

Kohberg Bakery Group is a manufacturer and supplier of bread and bakery products from rye bread to wheat bread and from Danish pastries to biscuits. Started in 1969 by Alfred Kohberg, the Fogtmann family took over the, at that time, relatively small company in 1989 and has since expanded the company into its present size with a revenue of 960 mDKK. With headquarters located in the small town of Bolderslev in the southern part of Jutland, Denmark, Kohberg produces their products in a 37,000 m<sup>2</sup> large, roofed production bakery. Two other production locations exist today in two other Danish towns, Taastrup and Haderslev. Together, these three bakeries produce over 10,4 million bags of bread, when only counting the sales for retailer shops. Besides servicing retailer shops, Kohberg also delivers to private companies and events. Being the biggest, Danish-owned bakery, Kohberg on average had 569 employees during 2010.

We have build our CSR model on 3 focus areas; People, Health and Environment. The 3 areas are all based on the 10 principles in the UN Global Compact and the overall goals are as following:

### People, Health and Environment

	Target	Achievements	
		2009	2010
<b>People &amp; health</b>	Use min 1% of our EBT result per year.	We used 2,3 % of our EBT result on people and health projects.	2,5 % of EBT
<b>Environment</b>	Reduce our CO <sub>2</sub> by 20 % per kilogram finished product produced before 2020.	Target set (reference year)	Reduction in total emissions of CO <sub>2</sub> by 2,62 %.

EBT = Earnings Before Tax.



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### Business potential / relevance of principles in the UN Global Compact

In the beginning of the process of working towards sustainability goals, a potential and relevance assessment was performed according to the 10 principles in the UN Global Compact. The assessment consisted of answering specific related questions for each area covered by the UN Global Compact thereby providing a current picture of potential for increasing current performance and relevance in relation to the principles. The original results of the potential and relevance assessment are illustrated in Table 1 along the improvement targets set in relation to the results. In Table 1, green indicate a current high performance with limited potential for further improvement, yellow indicate principles where practices can be enhanced and red indicate the main principles where focus should be emphasize for increasing current performance. It is important to note that the assessment was performed qualitative according to the potential of increasing performance and not as a specific performance assessment. In practice this means that red can still indicates a good performance compared to other companies.

Table 1: Potential / Relevance assessment of the principles in the UN Global Compact.

	UN Global Compact princip:	Risk/Impact:	Activity	Target/strategy:	Goal Archived
Human rights	1: Businesses should support and respect the protection of internationally proclaimed human rights;	Low	Covered by legislation and our Code of conduct	N/A	Yes
	2: and make sure that they are not complicit in human rights abuses.	Low	Covered by legislation and our Code of conduct	N/A	Yes
Labour rights	3: Businesses should uphold the freedom of association and the effective recognition of the right	Low	Covered by legislation and our Code of conduct	N/A	Yes
	4: the elimination of all forms of forced and compulsory labour;	Low	Covered by legislation and our Code of conduct	N/A	Yes
	5: the effective abolition of child labour;	Low	Covered by legislation and our Code of conduct	N/A	Yes
	6: and the elimination of discrimination in respect of employment and occupation.	Low	Covered by legislation and our Code of conduct	N/A	Yes
Environment	7: Businesses should support a precautionary approach to environmental challenges;	Medium	Focus through our Code of conduct and through optimization of energy usage in production and transportation and furthermore through purchase of our raw materials	Main target: We should by 2020 have decreased our CO2 by 20% per kg produced bread. Sub target 1: Our Co-distribution should by 2013 be min. 50% Sub target 2: 100% of our flour should be without glyphosate and straw-shortening.	Main target: In process (on target) Sub target 1: Level in 2009 is 32% - on plan Sub target 2: 100% fulfilled
	8: undertake initiatives to promote greater environmental responsibility;	Medium			
	9: and encourage the development and diffusion of environmentally friendly technologies.	High			
Anti-corruption	10: Businesses should work against all forms of corruption, including extortion and bribery.	Low	Covered by legislation and our Code of conduct	N/A	Yes

Firstly to ensure that Kohberg, as a company and as an actor in a market, works towards sustainability goals, the 'Code of Conduct' have been developed so it covers all the 10 principles of the UN Global Compact.

In the potential and relevance assessment, all principles within 'Human rights', 'Labour rights' and 'Anti-corruption' were assessed as current high performance based on the fact,



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that they are covered by our 'Code of Conduct' as well as the legislation in low risk countries. As a result the principles have not been the main focus for further improvement. However Kohberg recognize the importance of 'Human rights', 'Labour rights' and 'Anti-corruption' and will as a result ensure a future high performance regarding these principles. As a result no further targets have been set for the 7 principles in these categories.

In relation to Table 1, the main business focus has been on the principles in the UN Global Compact assessed as yellow or red. This is the case given that they possess the largest potential for improvements. As a result the environment area has been seen as the most important focus given the yellow and red score in Table 1. As a result this Communication on Progress (COP) will focus on the environmental activities, targets / strategy and the achievements of the specified goals in the following sections.

Our main environmental target is to decrease emission of carbon dioxide (CO<sub>2</sub>) by 20 % per kilogram produced finished product by 2020, based on the level of emissions of CO<sub>2</sub> in 2009. The emissions of CO<sub>2</sub> will be measured as CO<sub>2</sub>-equivalents (CO<sub>2</sub>e) thereby correcting for the warming potential of other greenhouse gasses such as methane (CH<sub>4</sub>) and Nitrous oxide (N<sub>2</sub>O) with a global warming potential of 25 and 298 CO<sub>2</sub>e respectively. Furthermore this target not only covers emissions of CO<sub>2</sub> from our main production bakery in Bolderslev, but also includes emissions from our 2 other bakeries in Haderslev and Taastrup as well as our own cold store in Haderslev and depot in Aarhus. In extension of the target of reducing emissions of CO<sub>2</sub> two sub-targets have been established. Firstly we should as a minimum ensure 50 % one truck stop at customer sites for all fresh bread in Denmark (co-distribution) by 2013 and secondly 100 % of our flour should be without glyphosate and straw shortening.



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Principle 1, 2, 3, 4, 5, 6, 10

## Human rights, labour rights and the fight against corruption

We ensure that our company always, as a minimum, fulfil the Danish legislation concerning human and labour rights. We are furthermore against all form of corruption and do not accept the use of it.

The majority of ingredients are bought from suppliers located in Europe with the largest supplier located in Denmark. Less than 5 % of our purchases of raw materials are coming from outside northern Europe. Kohberg have almost no suppliers located in high risk countries and as a result, human rights, labour rights and the fight against corruption are covered by local laws and regulations. This also applies for our bakeries and the transport providers used.

Furthermore to ensure suppliers show responsibility and for intent to become action, we have developed a set of guidelines, a 'Code of Conduct' which all suppliers must accept and comply with. An acceptance of our Code of Conduct is an integral part of a commercial agreement with Kohberg. The guidelines in our Code of Conduct are not least about human rights. We oppose the violation of internationally proclaimed human rights and we will oblige both ourselves and our suppliers, to comply with local laws and standards. Furthermore the guidelines include numerous requirements for worker rights. Our Code of Conduct must also ensure that both we and our suppliers act responsibly in relation to the environment. This also applies for the work environment. Finally the guidelines commit the suppliers to discourage all forms of corruption.

To ensure high performance in relation to the related principles, Kohberg have decided to support people and health projects with minimum 1 % of our EBT result per year. The main support in 2010 was given to the annual sponsorship of the campaign for 'the fight against breast cancer'. By participating in the campaign Kohberg supports the research in breast cancer. The money for the support were collected by giving part of the earnings from the sales of the rye bread product 'Herkules' in the period from mid September to the end of October in 2010. The support happens through a sponsorship of the campaign in where Kohberg have participated each year since 2008. Besides the actual economic support, Kohberg support the campaign by using special packaging design and a sales campaign as means for promoting and creating attention of the fight against breast cancer. In addition Kohberg have given money for supporting research in diabetes.



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In 2010 Kohberg finalized the participation in a 3 year project regarding the use of fish oil in bread products. The purpose of the research project was to test the health value and potential weight loss effects of overweight persons by taking this bread in the diet. By participating in the project Kohberg wanted to emphasise the development of healthy products. In addition there has been a TV broadcast covering 'the good work' in 2010 where Kohberg had the honour of being represented. In the TV broadcast workers had the chance to tell about their work environment and the company schemes such as fruit or the possibility to get massage for a low fee given financial support of the arrangement by Kohberg to reduce physical health problems among employees.





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Principle 7, 8, 9

## Environment

We work actively with the 3 principles in the 'Environment' area. This includes our 'Code of Conduct' where all our suppliers have agreed on the terms within, including the environmental requirements. An overview of the environmental requirements specified in our 'Code of Conduct' will be highlighted below:

- 1) The supplier is obliged to comply with local laws and standards related to environmental issues.
- 2) The supplier is committed to proactively take necessary precautions and take necessary initiatives to minimize adverse environmental impacts of its activities.

### Actions

In the following we will account for the actions established in 2010 to archive our main environmental target of reducing our CO<sub>2</sub> per kilogram produced finished product by 20 % by 2020. This will be explained in accordance to the structure of figure 1. The purpose of figure 1 is to illustrate the 3 areas in our supply chain where the actions are established. The actions are simultaneous according to the two sub-targets set in the environmental areas as explained above.

Figure 1: Supply chain areas where actions are established.



### 1. Sourcing (Raw material)

- **Sub-target 2:** All our flour is certificated and free from glyphosate and straw shortening. This saves the environment and ensures a healthy product for our customers and consumers. By implementing this policy Kohberg have achieved the goal set for 2010 as specified in the UN COP 2009.





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According to environmental authorities and food authorities, it makes no risk to the environment or health to use glyphosate on the fields. Still we have chosen to require of our suppliers that rye and wheat are not sprayed with herbicides with glyphosate.

Furthermore we don't want to expose our customers to the risk of baking bread of flour from grain grown with the use of straw shortening, although straw shortening has been used for a couple of decades and although authorities permit the use of it. In any case the products will comply with Danish and European legislation.


- We are still developing the cooperation with one of the strongest ecological brands in Scandinavian and are continuously introducing more new healthy products.
- Local buying where ever it is possible. We still need the Danish government to approve the use of more nitrogen in the cultivation of wheat. If this will be approved we can source all our wheat from Denmark. This saves transportation throughout northern Europe. However for the purchase of rye it has been achieved to use 100 % Danish produced rye which reduces the transportation requirement to a minimum from an environmental (CO<sub>2</sub>) perspective.
- In 2010 Kohberg initiated a project focusing on the carbon footprinting of products. The main purpose of the project is to identify hotspots for increasing environmental performance and to initiate a process where suppliers can contribute to the understanding of the environmental impacts along the life cycle of the product. By undertaking this project Kohberg tries to fulfil the UN Global Compact principles of promoting greater environmental responsibility and probably in a longer perspective encourage to the use of environmental friendly technologies.

## 2. Production

- Minimizing waste and overproduction at our bakeries. The first project started in 3<sup>rd</sup> quarter 2009 with end in 2<sup>nd</sup> quarter 2010 and resulted in a saving of food waste. However Kohberg continually seek opportunities for reducing waste in 2011. Besides the expected environmental savings, the project contributes highly to the main social problem of minimizing food waste.



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- In addition to the above, Kohberg are actively working on projecting a second generation biogas system at our local site in Bolderslev. The projecting process started in 2009 with a planned final decision to be made in 2010. However, given that the area of energy production is a new for Kohberg, much knowledge of bioenergy had to be collected and analyzed. Furthermore Kohberg have experienced many barriers, including missing support for bioenergy systems fuelled by bakery (industrial) waste products.
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- Initiatives have been carried out in 2010 focusing on decreasing the energy used in the making of the bread. This has resulted in various different initiatives. Among these are saving in energy for room heating and heat recovery, installation of light sensors, seeking alternative fuel sources, sealing of the compressed air system and optimization of our cooling areas.

### 3. Distribution (transportation)

- **Sub-target 1:** One truck stop at customer site for all fresh bread in Denmark. Co-distribution has now been achieved from a wide range of customers, where some are handled by Kohberg and others are handled by the customers own distribution depots. This results in a clear higher performance in 2010 than specified in the goal originally set for 2013.
- Modular transport has been tested with success from an economic and environmental perspective in 2010. As a result the usage of modular transport is still developing.
- At a sustainable transportation conference for practitioners a representative for Kohberg presented the work carried out by Kohberg from 2009 to 2010. The purpose was to inspire other companies to engage in environmental friendly practices thereby promoting 'green' initiatives.



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### Target Achievement

The performance in relation to the targets set can be seen in Table 2.

Table 2: Performance according to specified goals.

Environment	Indicator	Actual		Targets	
		2009	2010	2013	2020
1) Sourcing	Flour without glyphosate and straw-shortening	100 %	100 % Target Achieved		
2) Production	CO <sub>2</sub> per kilogram produced bread <sup>1</sup>	0 %	-2,62 %		-20 %
3) Distribution	Co-distribution	32 %	70 %	50 %	

Based on Table 2 it should be clear that Kohberg have overall managed to fulfil the targets towards sustainability.

The first target, which require purchased ingredients to be without glyphosate and straw-shortening, have been achieved last year as planned. In fact the goal was already achieved by 2009 thereby pointing towards a faster development. Furthermore the third target, which covers the degree of co-distribution, has already been achieved in 2010 and thereby 3 years before planned. The targets set have not been seen as unambitious by Kohberg given the fast achievement of these. Instead it should be considered as a committed work done in relation to achieving the targets set. Finally Kohberg have managed to reduce the total emissions of CO<sub>2</sub> by 2,62 % for all 3 bakeries, a cold store and a depot collectively. Much effort has been put into the above described initiatives by Kohberg and the efforts have given results directly measureable on the performance as seen in Table 2. The performance is as a result seen as 'on target', given that the average needed annual reduction is approximately 1,82 %-points. With ideas for further reductions of emissions of CO<sub>2</sub> in the future, the target on a 20 % reduction is seen as realistic.

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<sup>1</sup> Measured as the total annually emission of CO<sub>2</sub>-equivalent from energy consumption such as electricity from the national grid and natural gas divided by total kilogram finished products. The energy consumption and kilogram finished products includes our 3 bakeries in Bolderslev, Haderslev and Taastrup as well as our own cold store in Haderslev and depot in Soeften.