

DANISH CROWN 

# IT'S ALL ABOUT DECENCY

*CSR 2010/11*



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## Management's CSR Report

Danish Crown is one of Denmark's largest companies and therefore we are a significant part of the surrounding community.

For a food company CSR is particularly important in relation to the company's employees, the live animals received for slaughter, environmental and climate impacts, and in relation to securing that the company supplies safe food products to consumers all over the world.

With the adoption of the strategy plan DC2015, Danish Crown's CSR policy was introduced as a management tool across the subsidiaries of the group.

Today, Danish Crown is situated in many different parts of the world and locally there are large differences with regard to culture and labour market. The company is at the moment improving the on-going reporting on CSR issues so that the reporting of important key figures in connection with the implementation of its CSR policy is improved.

2010/11 was an important year for Danish Crown in relation to CSR. The strategy plan of the group DC2015, comprising the period as of 2010/11, was framed and in relation to previously extended with a section on the group's CSR policy. The background to the CSR strategy is the joining of the UN Global Compact, which took place in February 2011. Subsequently, integrating CSR into the daily routines across the group lies ahead. This CSR report is the group's first and it reflects how the UN Global Compact guidelines are integrated into the company in order to stimulate socially responsible behaviour.

Our support to the UN Global Compact has in practice resulted in on-going actions within environmental and climate factors, just like a climate strategy has been drawn up. In relation to the employees focus has primarily been on employee satisfaction and work-related injuries. The procurement department has incorporated CSR and the UN Global Compact's principles in supplier audits. In addition, there is a series of projects within food and food safety.

Decency is the central point for Danish Crown. This implies that we in all parts of the value chain relate to whether we are producing under decent conditions for animals, human beings, and environment. Danish Crown has many years' experience with e.g. helping dismissed employees, making demands on animal welfare, and bettering technology for the benefit of the environment. The support to the UN Global Compact has increased the strategic focus on the field and will influence our work with responsibility and decency in the future.

Kjeld Johannesen  
CEO



## **Danish Crown in General**

In 2010 Danish Crown was converted into a limited company, which is however still 100 per cent owned by Leverandørselskabet Danish Crown AmbA. Leverandørselskabet Danish Crown AmbA follows traditional democratic principles within Danish agricultural-owned cooperative societies, among other things implying that the company focus on the interests of the cooperative members.

### **Financial Result**

In 2010/11, Danish Crown realized a growth in the turnover and in spite of an intensified competitive situation the group maintained last year's record-breaking profit. At the same time the company improved its competitiveness in the settlement of the cooperative members' raw materials supplies. The result is a consequence of on-going improvements of efficiency, increased profit margins from subsidiaries, and an intensified market position on the overseas markets.

### **Main Activities in 2010/11**

At present, Danish Crown implements the strategy DC2015 with focus on creating a Danish Crown in better balance. The company's goal is to increase its presence on the key markets in Northern Europe and at the same time increase the processing activities in the subsidiaries. The slaughterhouse DC Fleisch was acquired, increasing Danish Crown's presence on the German market. The building of new processing plants in Poland and USA has been commenced.

### **Structure in Danish Crown**

Danish Crown's key activities are slaughtering and sales of pigs and cattle from the cooperative members. In recent years, processing activities have increased substantially. The reason for this is the desire partly to have a more stable market platform, partly to land the additional value of the processing activities at the cooperative members.

The slaughtering of the cooperative members' animals takes place in the fresh meat sectors Pork Division and Beef Division. The processing activities are situated in the subsidiaries Tulip Food Company, Tulip Ltd, Plumrose USA Inc. as well as the part-owned Sokołów S.A.

The subsidiaries have independent profiles with their own Board of Directors, Executive Board, defined key markets, brands, and products. The group emphasizes a decentralized management of the subsidiaries with central coordination and strategic development of the group's total activities.

### **Cooperative Members**

Danish Crown is owned by 9,577 cooperative members in Denmark. 3,894 cooperative members supplied pigs or both pigs and sows; 6,077 supplied cattle. As a consequence of the structural development within Danish agriculture the number of cooperative members is continuously dropping. In 2009/10, the number of cooperative members was 9,847.

## **Corporate Governance in Danish Crown**

### **Management of Danish Crown**

The management structure of Danish Crown is built on the dual management system where there is no interlocking between the Board of Directors and the Executive Board. The Board of Directors and the Executive Board emphasise corporate governance. Since Danish Crown is owned by Danish farmers, focus is on the corporate members' interest as well as on long-term value creation.

### **Board of Representatives**

The Board of Representatives is Leverandørselskabet Danish Crown's supreme authority and consists of 207 representatives elected by the cooperative members as well as 22 representatives elected by the employees. The election of cooperative members to the Board of Representatives takes place in geographic constituencies and all cooperative members of the geographic district in question can take part in the election. The dialogue with the cooperative members takes place at minimum two yearly meetings in the constituencies as well as in weekly newsletters communicating relevant information in line with the communication strategy of the group. The cooperative members show large interest in following the company's development and in 2010/11, 2,600 cooperative members participated at meetings in the geographic districts.

There are five fixed meetings in the Board of Representatives. The Board of Representatives receives general information about the company's state of affairs as well as quarterly report with financial statements and comments on the business areas. This provides the members of the Board of Representatives with the knowledge needed in order for them to evaluate the company's performance and enter into a dialogue on the company's development.

### **The Board of Directors**

The Board of Directors is in charge of the top management of the company. The Board of Directors consists of 15 members of whom 10 are elected among the company's cooperative members, 3 are elected among the employees, and 2 independent members are elected by the Board of Representatives upon recommendation from the Board of Directors.

An introduction programme is arranged for all newly elected members of the Board of Directors. Members of the Board of Directors are elected for a period of three years at a time. Not all members are up for election the same year. However, election is made according to a fixed rotation for the local constituencies.

The Executive Board reports to the Board of Directors on a regular basis as well as it presents detailed monthly and quarterly reports. In addition budgets, strategy plans, and annual report are reported to the Board of Directors for adoption.

The company's business risks are assessed on a continuous basis and reported on in the quarterly reports. Moreover, the risk areas are mentioned in the company's annual report.

## **Food Safety and Health**

### **Product Food Safety**

As one of the world's largest producers of meat products Danish Crown approves its responsibility to supply safe food products to consumers all over the world.

Therefore, the group companies have own-check programmes to prevent errors that may be a risk to consumers' safety and health. Apart from the advanced own-check programmes Danish Crown has at the same time created full traceability through the value chain - from supplier and until the products leaves Danish Crown - making it possible to trace pathogenic bacterium back to the source. Hereby food safety can be improved.

Concurrently with the own-check programmes, food safety and hygiene is inspected by the authorities or third party audits, e.g. in connection with certifications. In 2010/11, 97.6 per cent of the total tonnage produced by the Danish Crown Group was produced in factories subject to certification and inspection by a third party, being mainly GRMS (Global Red Meat Standard), IFS (International Food Standard), BRC (British Retail Consortium), and SQF (Safe Quality Food) certifications. In addition, the companies of the group have on an on-going basis audits from customers with special requirement, just like public authorities are always present in connection with start of production at all departments with exports to Asia or countries linked to the American USDA.

Danish Crown continuously increases the number of plants audited by a third party and strives to improve the grades within the areas where it is audited today.

In cases where a sold product's food safety can be questioned, the group has an emergency plan securing recall of the product. In 2010/11, the Danish Crown group only recalled 0.003 per cent of the company's total production.

### **Nutrition and Health**

Overweight and raised blood pressure are increasing problems to people in many countries. Danish Crown acknowledges its responsibility to give consumers healthy alternatives. Through a number of years the company has developed low fat and low sodium products securing the consumers a healthy alternative.

Especially within sales of processed products the companies in the Danish Crown group have developed line of products with a significantly reduced content of fat and salt.

In recent years, there has been an increased interest in the salt intake's influence on consumers' health and the EU wants that the salt content of a series of processed food is reduced with 16 per cent in the period from 2009 to 2013. Danish Crown has for many years been working on a reduction of the salt content and with 180 projects in 2010/11, the company has increase the focus on improving healthiness of the products, including lowering of the salt content. Danish Crown will in cooperation with research institutions develop new products that are healthier in relation to fat and salt and thereby securing the consumers a larger variety with a stronger health profile. The work takes place in all processing companies and covers both short- and long-term projects.

Plumrose USA Inc. has lowered the salt content in 75 per cent of the company's luncheon meat products so that today the company meets the goals set by American Heart Association and bears the organisation's logo on the packaging.

In the UK, Tulip Ltd has among other things launched mild cure bacon with at lower salt content resulting in a healthier product for the consumers. Tulip Food Company in Denmark has reduced the salt content in the company's bacon and cold cut production. Moreover, Tulip Food Company participate in a large research project named berry meat where Danish researchers have identified eight difference types of berries and herbs having some of the same preserving effects as salt. Tulip Food Company participates as one of two commercial companies in this project where the purpose is to examine whether the salt in certain types of food can be replaced by berry extract on a long-term basis.

## Environment and Climate

### Environmental Policy

As a leading food producer, Danish Crown acknowledges its responsibility on the environmental area and will work for protection of environment and climate in connection with the company's operation and continuing development through a systematic effort and responsible handling of resources used.

Danish Crown's set of values on the environmental area results in the following policy:

- The company must be operated with a focus on the least possible consumption of resources and impact on the environment.
- All relevant employees must be motivated, educated, and actively involved in the daily work for the environment.
- Management tools for optimizing and documentation of consumption of resources, environmental efforts, and environmental achievements are used and developed in order to secure continuous environmental improvements.
- The company is taking an active approach to its products impact on the climate and is working to minimize the contribution originating from the activities of the group.
- Other parts of the value chain are urged to encourage climate considerations in the products.
- Use of unnecessary packaging and consumables are reduced in dialogue with the company's customer so that the environmental impact is reduced as much as possible.
- The company must enter into an open and constructive dialogue with the public on relevant environmental matters, e.g. on areas relating to the neighbours and surroundings of the company.

### Climate Strategy

Recent years' attention on greenhouse gasses' impact on the global climate makes it necessary to include the emission of greenhouse gasses in the development of society, industry, and market. Danish Crown is aware of its responsibility to contribute to limitation of the harmful effects on the climate.

Danish Crown regards the climate area as an integral part of the environmental work, and the climate area is therefore incorporated in the company's environmental policy. Danish Crown takes a stand on the products' climate impact and works to minimize the contribution from the groups' own activities as well as from the other parts of the value chain, making the climate concerns prevalent throughout the value chain.

In cooperation with industrial associations and the surrounding world the company is working with:

- Development of new methods for analysis of the climate impact from the meat production sector.
- Development of technologies, processes, and logistics for minimizing the climate impact from farm to the group's customers.
- Involvement of customers in the development of new climate friendly products and packaging.

- Involvement of cooperative members and suppliers in the work to increase climate concerns in raw material, consumables, and services.

It is essential with a broad cooperation on these challenges since Danish Crown cannot manage the task alone. Therefore, it is important that this area is given priority with public research resources so that necessary improvements can be realized. Obviously, it is essential to rate the entire value chain of the meat production and to concentrate on the areas where the improvement potential is highest.

## **Climate Impact of Danish Pork**

The Danish pork production is among the most efficient of the world and this has an impact on the climate. Feed consumption per kilo pork is lower in Denmark compared to many other countries, which have a positive effect on climate impact and aquatic system.

Danish Crown is one of the world's largest pork exporters and our products are exported to markets in Europe and the rest of the world. Danish pork that is e.g. sold in the UK has a considerably longer transport route than English pork. However, the climate impact from the transport is far lower than the one from the feed consumption and therefore the total climate accounts show that the climate impact from Danish pork is much lower.

## **Energy**

In 2010/11, measures have been implemented in a number of areas in order to increase energy savings. Some of the most significant measures are:

### **Danish Crown A/S**

Energy savings have for a number of years been a strategic focus area for the slaughterhouses, similar to resource savings and recycling of biological offals. Renewable energy is a recent strategic focus area.

### **Tulip Food Company**

In recent years, the company has implemented a number of improvements in the plants in order to lower the company's energy consumption. This is also incorporated into the company's strategy up to 2015 and the goal is to have reduced the CO<sub>2</sub> emission with 20 per cent by the end of the period.

### **Tulip Ltd**

Tulip Ltd in the UK has built up a system for monitoring and specifying the energy consumption across the production processes. The system is implemented according to the ISO 14001 standard and the sites will be certified in the course of the coming years. Data are collected in a central database from where the consumption can be monitored and compared with the determined key figures. In addition all production units have designated an 'energy champion' who is responsible for identification of energy savings and development of the colleagues' energy consciousness.

### **Plumrose USA Inc.**

Through installation of a capacitor battery the department in Elkhart has achieved a saving in the power consumption of 7.5 per cent. The capacitor battery has increased the effect from 88 to 95, resulting in a reduction of the energy consumption.

Plumrose has purchased six hybrid cooling trailers and seven trucks. The hybrid cooling trailers use 30 per cent less fuel whereas the savings for the trucks are smaller. In the light of these experiences the plan is to extend the programme so that it includes 20 trucks and cooling trailers.

Likewise, Plumrose has introduced a transport control system improving the route planning and increasing the cargo volume per container with more than five per cent.

Through an optimizing of internal logistics, Plumrose has reduced its fuel consumption with eight per cent. Taken alone the reduction of the fuel consumption has reduced the emission of greenhouse gasses with eight per cent.

#### **Sokołów S.A.**

The company has initiated a number of projects concerning energy savings within heat recovery and reduction of power consumption.

### **Resource Efficiency**

In 2010/11, measures have been implemented in a number of areas in order to improve resource efficiency. Some of the most significant measures are:

#### **Waste Handling**

Waste is also a resource and the handling decides whether the waste is an environmental burden or a resource. Building up the environmental database has provided new information about waste types, waste handling, and the possibilities of the waste. With this knowledge, Danish Crown and Tulip Food Company have entered into agreements with external players on the waste area with the result that offals are more likely to be recycled in the downstream value chain.

#### **Use of Packaging Waste for Fuel**

In the Processing Division a lot of packaging is received and used. The volume is relatively large compared to tonnage produced. All divisions are trying to increase the volume of source separated reusable waste, such as plastic, wood, cardboard, etc.

A lot of packaging in the food production cannot be recycled directly because it has been in contact with food or because it consists of more layers of foil. Plumrose USA, Inc. has managed to engage in co-operation with a company that can turn this type of foil into raw diesel or gas. In 2011 more than 135 tons of plastic was turned into raw diesel - previously this plastic was deposited.

#### **By-products from Slaughterhouses**

All parts of the pig or cattle, that are not consumed, are food waste even if the waste can be used for energy production. From a resource and financial point of view it is therefore important to optimize the use of all parts of the animal. There are different food cultures and they all have their preferences. Over the years, Danish Crown has used this strategically and in the past three years the volume of by-products for destruction - as well as the costs for this - has been reduced.

In order to strengthen resource optimization the by-product area is now an independent business area with the purpose to find new markets and alternative use of what is today not sold.

The largest possible part of the slaughter animals are used for foods. Nevertheless, it is inevitable that for each slaughtering there will be parts that are not saleable as foods. The company try to use these parts in the optimum way, both out of respect for the environment and for the finances. A part is used as biomass and a part goes to destruction and is used in other connections.

#### **Food Waste**

Not eaten food is waste resulting in an environmental impact in all stages of the production chain. Over the last years, attention has been drawn to this waste of resources that has been proclaimed as an essential, but invisible climate impact. It appears that the waste especially occur among the end consumers. Danish Crown has approved the charter against food waste issued by the Danish

Ministry of the Environment and the company will initiate projects aiming at reduction of food waste, not only in our own production, but also among commercial kitchens and consumers.

### **Environment with Bottom Line - SMART Planner**

Since February 2011, environmental employees within the Pork Division and Tulip Food Company have participated in the development and test of new tools for environmental improvement and environmental economics that in the future will be a part of the work with goal and action plans on the environmental area. The project is conducted as exchange of experiences with mutual discussions and proposals concerning improvement projects.

## **Chemistry**

It is of utmost importance that a food company is kept clean. The most used disinfectant, sodium hypochlorite, can have an impact on aquatic organisms if the disinfectant has not finished reacting before it is discharged. The efficiency of the disinfectant is well-documented. The company is working on reducing the use and one plant is now trying to phase out the use completely. The work is expanded in line with the development of new disinfectants.

## **Water and Waste-Water**

Water is a vital resource and one of the primary ancillary materials in connection with slaughtering and processing. Cold water is used for cleaning of facilities. Hot water is used for disinfection and scalding of pigs, boiling of products, and cleaning of production facilities. A lot of water evaporates when refrigerating pigs, but the main part is discharged as waste-water.

In 2010/11, measures have been implemented in a number of areas in order to continuously reduce water consumption and improve waste-water handling. Some of the most significant measures are:

Tulip Food Company's plant in Vejle produces canned meat. A can must be clean, both on the inside and outside. Previously washing of cans required both water and energy for heating of the water. The can washing has now been changed so that the water is recycled what has cut the water and energy consumption.

Food companies primarily use energy for cooling of products and working areas as well as for heating of cleaning water. In this way, the energy consumption is linked to hygiene and food safety. The energy consumption for cleaning can be heavily reduced if the water temperature is lowered. The possibility of lowering the water temperature of the cleaning water without compromising the food safety is examined.

DAT-Schaub processes casings i.a. from the group's pig slaughterhouses. A lot of water is used for cleaning of casings, i.a. where the different layers of the casing are separated. Therefore, new methods for reduction of the water consumption are a strategic focus area in the company. In 2010/11, large savings were achieved in different parts of the production processes.

The high environmental standards in Denmark have contributed to development of new technologies that can be implemented in subsidiaries abroad. In these countries significant amounts are invested in waste-water purification and savings on the energy consumption. For example on DAT-Schaub's part-owned plant in China a modern water purifying plant has been installed which also has capacity to purify waste-water from the local area.

The tannery Scan-Hide has developed a new method for purification of the tanning waste-water. Until now, the wastewater has been purified of chrome, but in the future all waste-water will go through a pre-purification at the plant. The waste-water from a tannery has a very complex

composition since the tanning implies adding of different agents in a number of steps where the water is discharged between these steps. In 2010/11, Scan-Hide developed a method for recycling some of the process water.

At Plumrose's plant in Swanton a project reducing the water consumption in the boiling process of spareribs has been implemented. At the plant in Booneville they have implemented a project where rinsing water from an equipment scrubber is recycled to the cooling towers.

Tulip Ltd has approved Federation House Commitment with the intention to achieve a reduction of the water consumption of 20 per cent up to 2020.

## Environmental Key Figures for Fresh Meat Division

The fresh meat division comprises the primary slaughter activities for pigs, sows, and cattle.

The main part of these activities is run in Denmark. Therefore, a number of key figures of great importance for the assessment of the environmental impacts of activities at Danish Crown's plant in Denmark are presented below. In the coming years, the company will expand the key figure calculation to other parts of the Danish Crown Group.

The key figures are divided into pig, sow, and cattle slaughterhouses.

All key figures are set against the produced volume of finished products. However, it must be remarked that the key figures are impacted by the resource consumption and discharge from the DAT-Schaub's departments at the slaughterhouses, since it has not been technical possible to separate these data.

### Energy Consumption

Danish Crown has been working with environmental improvements for many years - improvements that are also important for the climate impact. Through targeted benchmark programmes and development projects considerable progresses have been realized.

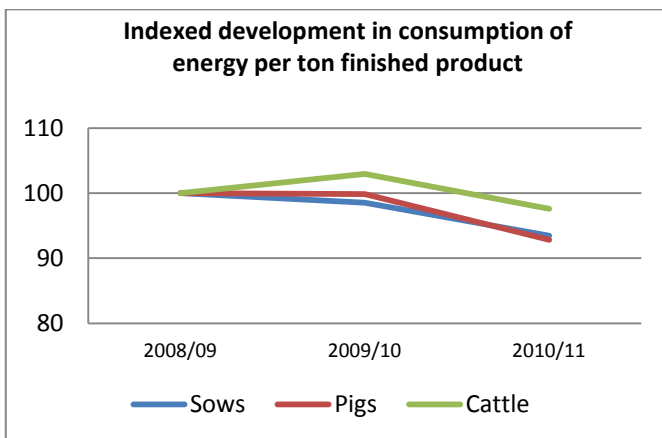


Figure 1

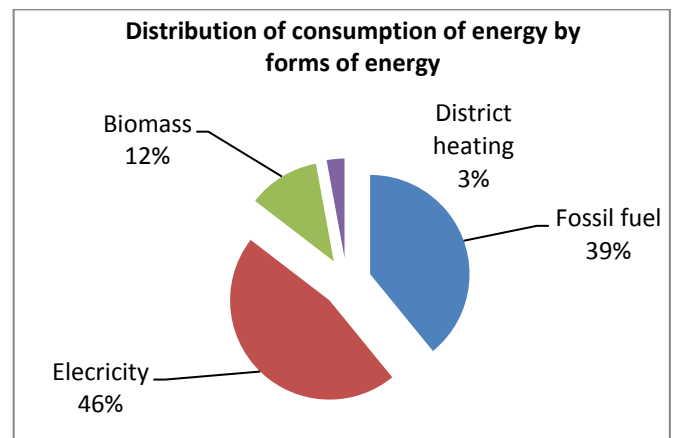


Figure 2

Figure 1 shows that the consumption of energy for all three fields of slaughterhouses has a downward tendency.

Figure 2 shows that the distribution of consumption of energy by different forms of energy.

For many years, Danish Crown has focused on optimization of cooling plants since cooling plants are a significant part of the company's total consumption of energy. Existing plants are optimized and some old plants are replaced with new. Intensified requirements for drying-out of production facilities have demanded extension of the capacity for cooling and drying-out. A large part of the energy demand (approx. 40 per cent) at the slaughterhouses is used on cooling of facilities, being independent of the volume of finish products.

### Climate

Large industrial cooling plants can be operated by different cooling agents each with different climate impact. In Denmark Danish Crown almost entirely uses ammonia as cooling agent since the climate impact of ammonia is limited. In other countries it is customary to use other types of gas with significant larger environmental impact.

Emissions of CO<sub>2</sub> are a result of the use of fossil fuel, stunning of animals, gas for packaging, electricity, and district heating. The development is shown in figure 3 and 4. Figure 4 breaks down the total emission between the three fields of slaughterhouses.

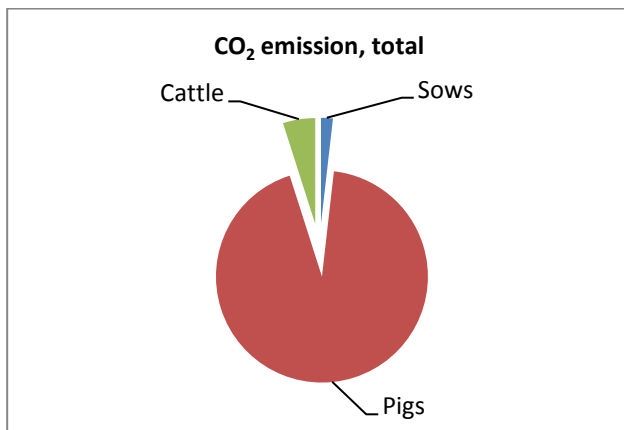


Figure 3

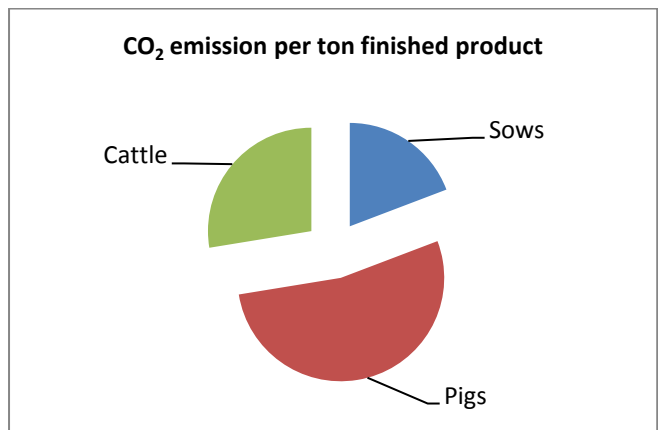


Figure 4

### Water Consumption and Organic impact in Waste-Water

Figure 5 and 6 display the indexed development of water consumption and the water consumption per ton finished product respectively. For many years, the water consumption has been dropping at pig and sow slaughterhouses. This is primarily owing to two factors: Most slaughterhouses have appointed a so-called water and energy-saving committee having as purpose on an on-going basis to find improvements relating to environmental technology; and at the same time the company is working with attitude-based steps, such as turning off the water when leaving the room and to remove unnecessary water hoses.

In the Beef Division the water consumption has been steadily increasing, being due to a combination of increased supply of cattle for slaughter as well as intensified customer demands for sterilization of slaughter equipment.

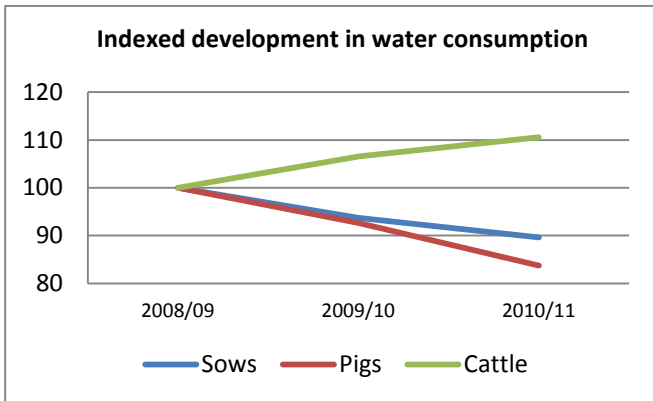


Figure 5

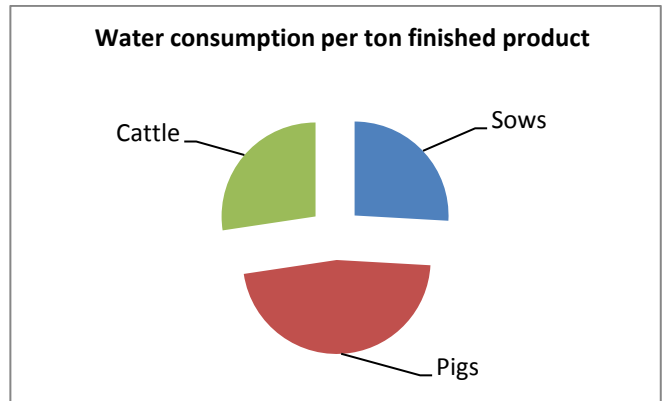


Figure 6

Figure 7 and 8 show the indexed release of dry solids in the waste-water (TOC) and TOC release per ton finished product respectively.

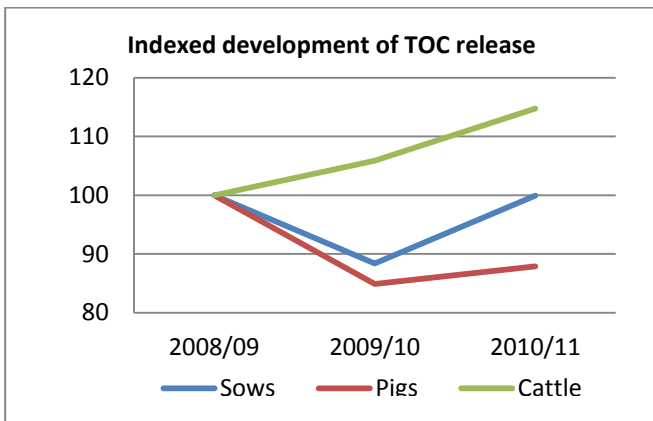


Figure 7

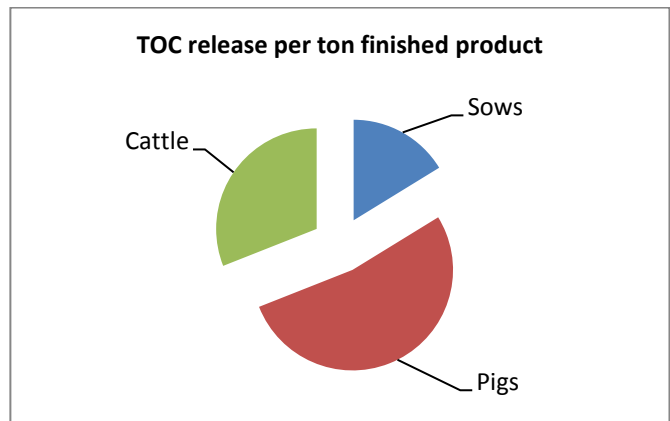


Figure 8

### Cleaning Chemicals

The waste-water contains minor quantities of cleaning chemicals; cleaning is an essential process in order to maintain a high hygiene standard at the slaughterhouses. For cleaning are used sour and basic cleaning agents as well as disinfectants after the cleaning. Danish Crown is working on a reduction of the disinfectants being most harmful to the environment.

In below figure it can be seen that the total volume of cleaning chemicals used is steadily dropping. The volume of cleaning chemicals used is almost independent of the volume produced. Irrespective of the volume produced, everything must be cleaned; and the consumption is in this way linked to the size of the slaughterhouse and the volume of equipment. By increase of the volume of finished products, the consumption per unit is reduced. At the same time, the chemical consumption is a never-ending target area, partly for Danish Crown and partly for the suppliers of cleaning service which is another reason for the reduction.

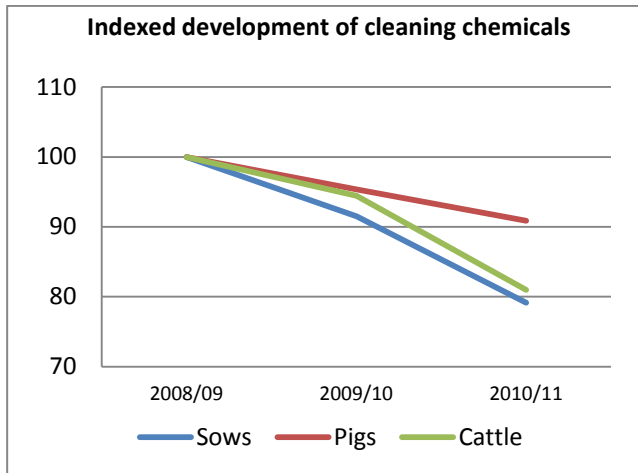


Figure 9

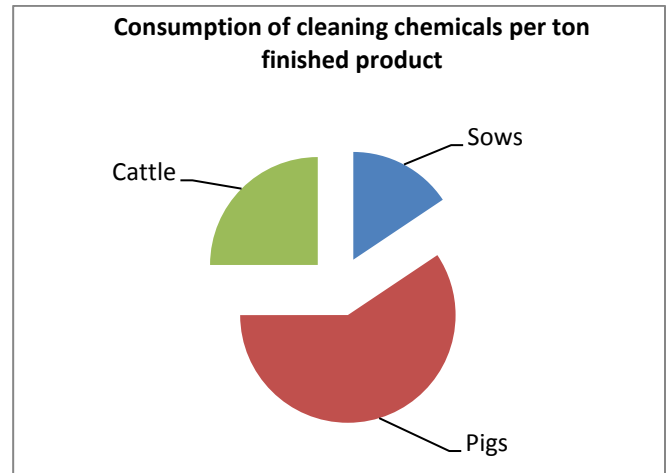


Figure 10

### Fresh Meat Activities Abroad

Other fresh meat activities cover the group's activities in Sweden and Germany. In both countries related to pig and cattle slaughterhouses as well as plants for production of pre-packed fresh meat for the retail industry.

It is Danish Crown's attitude that the activities as a minimum must comply with the national legislation, but also that the substantial know-how on the area from the Danish activities must be used to the maximum feasible extent in order to achieve further improvements.

At the Swedish plants where the primary energy source is electricity, a dropping tendency is seen in both energy and water consumption when measured in consumption per finished product.

At the German plants for deboning and cutting, which have been a Danish Crown activity through a number of years, the primary energy source is natural gas. In 2010/11, the energy consumption per finished product has shown a declining tendency, just like the water consumption has been dropping. A similar tendency is seen at the cattle slaughterhouse in Husum in Germany. Regarding the newly acquired slaughterhouse DC Fleisch this has only been a part of the Danish Crown Group for a part of the year and the company's status on the area will be analysed with the object of employing the improvement possibilities.

Equally, there are fresh meat activities in the UK and Poland, but these are a part of the processing division.

### Environmental Key Figures for Processing Division

The group's Processing Division comprises the subsidiaries Tulip Food Company, Tulip Ltd and Plumrose USA Inc. as well Danish Crown's joint venture company in Poland Sokołów S.A. These are companies primarily producing cold cuts, sausages, bacon and similar processed products. Furthermore, Tulip Ltd and Sokołów perform slaughter activities.

Similar to the primary slaughter activities in the fresh meat division, these companies aim at having a production which to the greatest possible extent protects the environment and climate.

In the previous general section on environment and climate a number of steps in the group's processing companies have been described.

In overall terms, the selected key figures for the Processing Division display the following tendency:

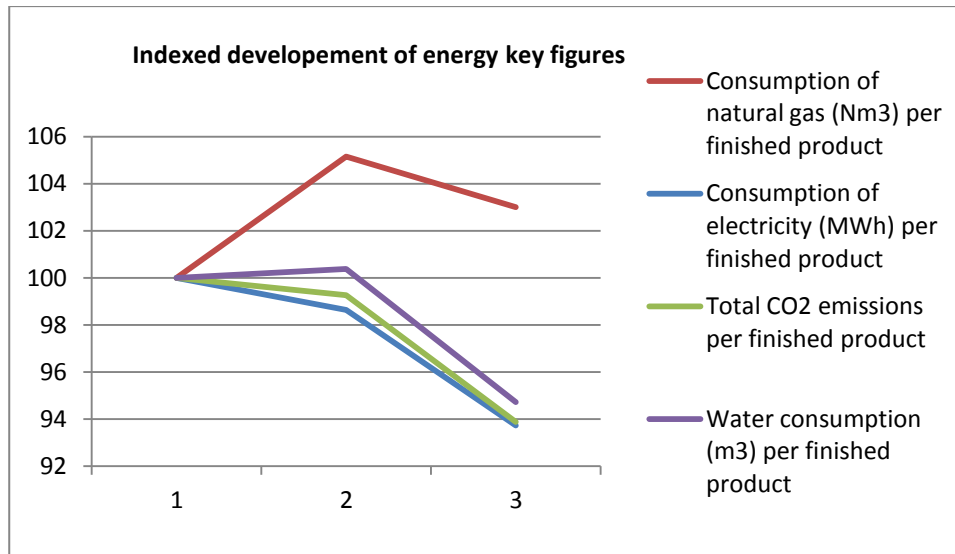


Figure 11

From figure 11 it appears that energy for the production to a larger extent is based on natural gas. The electricity consumption per finished product is declining. This also applies the CO<sub>2</sub> emission and the water consumption per finished product.

The processing plants have a larger emission per ton finished product than the slaughterhouses. This is a consequence of these plants boiling and cooking products and subsequently having a need of fast refrigeration and eventually freezing. Moreover, the heating demand is almost independent on the production since e.g. the boiling processes demand the same heat regardless of the volume of products.

## **Raw Material Basis and Animal Welfare**

Danish Crown's raw material basis is made up by suppliers from cooperative members in Denmark as well as production or purchase of animals in Sweden, Poland, Germany, and the UK. In 2010/11, Danish Crown slaughtered 22.1 million pigs and 552,000 cattle. The Danish pig breeders must comply with Danish Crown's Code of Practice. Corresponding programmes are established in Germany and the UK - however, the standards are adapted to the needs of each country.

### **Code of Practice (CoP)**

In 2002 Danish Crown introduced a new code of practice, which Danish pig suppliers are obliged to live up to, dealing with the suppliers' mode of production and handling of animals. In the CoP the requirements for securing of food quality are imposed, including the requirements for use of medication, feed, as well as infection control. Handling of animals during rearing and transport to the slaughterhouse is also subject to requirements resulting in a proper animal welfare for the pigs. At the same time the CoP contains description of control procedures and sanctions in case of violation. The CoP is a valuable tool, instructing the suppliers about Danish Crown's expectations to them as suppliers as well documenting the quality of the raw material to the customers. Thereby the CoP enables Danish Crown to bring home the market value of the higher standards on markets where the customers share these preferences.

### **Animal Welfare**

Danish Crown's primary raw material is slaughter animals and the company demands that the animals are treated properly during rearing and transport to the slaughterhouse as well as in connection with herding and slaughtering, not causing the animals unnecessary suffering.

Danish Crown demands that Danish suppliers of pigs observe the company's Code of Practice with regard to animal welfare. Similarly demands have been worked out for transport companies transporting pigs to Danish slaughterhouses.

Danish Crown has a special responsibility for the animals during transport and slaughtering. Collection, transport, and unloading of slaughter animals must be carried out as carefully as possible and within reasonable limits in regard to time. Danish Crown demands use of appropriate transport means just like the company demands that the persons carrying out these tasks are trained in the specific area. Danish Crown's principles for animal welfare are implemented with regard to local legislation and standards in operational procedures.

New experiences concerning the best way of handling animals during transport and slaughtering in relation to animal welfare are gathered on an on-going basis. Experiences are exchanged between the companies in the group and contribute to continuing improvements of the animal welfare.

Seen in the light of reported deviations, custom within the industry, number of complaints, and remarks from the authorities, the group has a good practice for handling of animals.

### **Alternative Products**

Danish Crown wants to give producers and consumers a choice by encouraging sales of alternatively produced foods with special demands to livestock ethics and environmental impact of the production. In Denmark a part of these activities are placed at Friland where the suppliers have the option of supplying organic as well as free-range pigs and cattle. Danish Crown also produces, slaughter, processes, or markets products from organic or free-range animals having been reared in Sweden or the UK.

In the Pork and Beef Division respectively similar production concepts have been worked out and these go beyond the high Danish standards on a number of areas within animal welfare and feed.

**Dalehead**

In the UK the subsidiary Dalehead produces organic and free-range pigs and lambs on 250 farms. The animals are sold to the British supermarket chain Waitrose who makes a number of requirements surpassing the British and European legislation. Waitrose also has special requirements as to slaughtering and processing of the products. Therefore the production takes place at particularly dedicated plants. Dalehead is the largest producer of pigs in the UK.

## Procurement

The procurement department of Danish Crown is responsible for selection of suppliers and entering of supplier contracts on e.g. consumables and ancillary materials. Selection of suppliers is based on a number of criteria that apart from documented compliance with current legislation means that the supplier observes the following criteria:

- Respect and support the UN Global Compact within their sphere of influence.
- Has implemented a food safety system,
- Reduces negative environmental impacts on an on-going basis.
- Maintains a continuously high quality level.
- Preserves a continuously high supply capability.

### Contractual Basis

Above-mentioned criteria are incorporated into a Framework Agreement (FWA), being the basis for large suppliers' trade with Danish Crown. This FWA was introduced in the financial year 2008/09 and has since then been revised and spread out so that it comprises more companies within the group.

The starting point is that the FWA must be used when suppliers deliver consumables and ancillary materials that will get direct contact with food. Likewise the FWA is employed when the annual trade between Danish Crown and the supplier exceeds one million DKK. By the end of the financial year 2010/11 Danish Crown has entered supplier agreements based on the FWA with a total of 106 suppliers.

It must be stressed that a number of existing supplier agreements, which are not based on this FWA, in full or in part can contain corresponding demands.

In the financial year 2011/12 a standard contractual basis for trade with suppliers, having a yearly trade with Danish Crown below one million DKK, must be worked out and implemented. This contractual basis will also contain a clause committing the suppliers to comply with internal or external audits.

### Auditing of Suppliers

Danish Crown's purpose of supplier audits is to inspire and approve local initiatives surpassing the statutory criteria and identifying potential target areas. The supplier audits does not only take a starting point in the supplier's implemented CSR policy and method for food safety, but it can be extended to including e.g. documentation and quality and environmental management systems.

In the Danish Crown group both auditing of potential as well as existing suppliers are carried out. The purpose of auditing potential suppliers is to perform a qualitative assessment of the supplier before a formal cooperation is initiated. The contractual basis determines that Danish Crown or a third party can carry out auditing of both suppliers as their sub-suppliers.

The selection of existing suppliers to be audited is based on a systematic assessment of e.g. the supplier's food safety, level of certification and CRS policy. Concurrently assessment of the supplier's actual supply capability, number of complaints etc. is carried out. Likewise the company prioritize achieving a large geographic spread where Asian, European, Middle Eastern as well as national suppliers are audited.

Table 1 shows the scope of audits for suppliers of packaging, ingredients, or services within the latest three years.

<b>Financial year</b>	<b>No. of audits at external suppliers</b>
2008/09	68
2009/10	62
2010/11	81

Table 1

In cases where significant deviations were found, the supplier ordered to working out and implement plan of actions. Subsequently, Danish Crown has carried out follow-up on whether the worked out plan of actions have been implemented. At one incident this follow-up has resulted in a re-auditing of an Asian supplier as to determine whether the cooperation should continue or be stopped.

As a direct consequence of the performed supplier audits more suppliers have decided to join the UN Global Compact and/or to implement a certified food safety system.

### **Resource Saving Steps**

Danish Crown expects that suppliers on an on-going basis put resource saving initiatives into action with the object of reducing the total energy and material consumption. The initiatives can result in implementation of test of new materials must be made in order to document that durability and food safety is not degraded.

In the financial year 2011/12 a project for cardboard packaging will be initiated with the intention to reduce the total material consumption with up to 10 per cent without degrading the stacking capability of the packaging.

# Workplace

## Employee Policy

The employees' qualifications, motivation, and responsibility are the basis of Danish Crown's compatibility. Therefore, it is essential to improve competency as well as to strengthen the cooperation and the personal development of the employees.

### Danish Crown as Workplace

The employees at Danish Crown must have well-organized working and employment conditions. The company focuses on having both a healthy physical and mental working environment and it is on an on-going basis working on setting up secure and well-run workplaces. A number of steps have contributed to creating better working climate, education, and cooperation to the benefit of both the individual and Danish Crown.

The company's goal is that all the employees of the group are to be secured a healthy and safe work. Goal-oriented steps are taken in order to reduce and prevent accidents at work. In addition, the company is working on reducing injuries due to attritions in the musculoskeletal system. This is done through planning of the work and by implementation of new technology, including increased automation. The pro-active approach to safety and health for the employees of the group implies that Danish Crown fulfils and goes beyond the acts at present in the countries where it operates.

The possibilities for recruitment of employees on an on-going basis are essential for the success of the group. Therefore, it is important that the group appears as an attractive workplace for both existing and future employees. There are a little more than 23,000 employees in the group distributed on 23 countries.

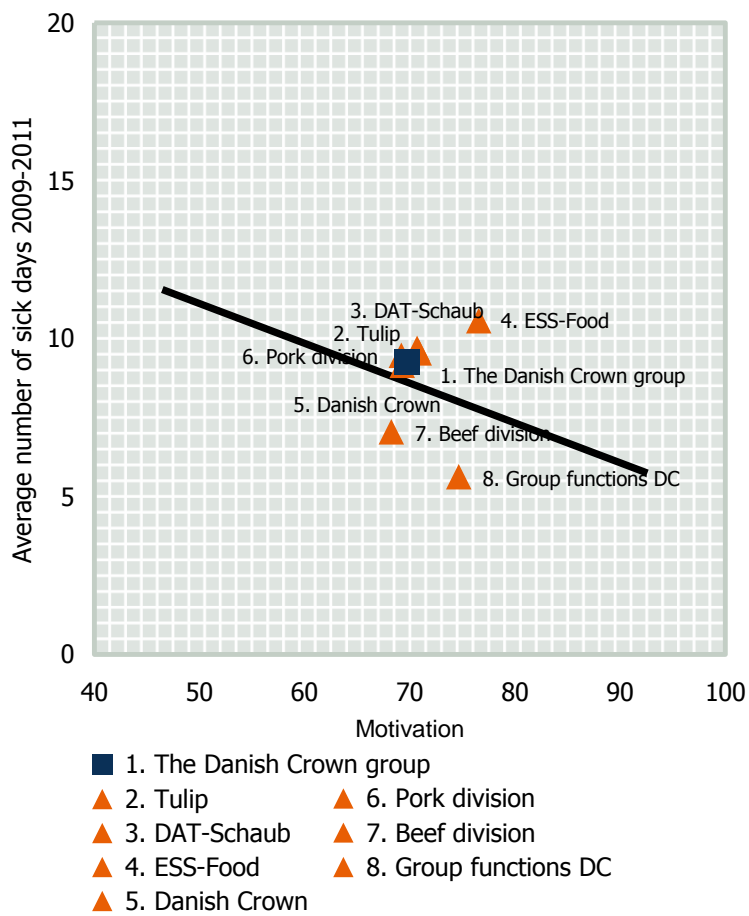
The employees' satisfaction and motivation can be assessed from the sickness absence and the employee turnover respectively.

In 2010/11, the employee turnover amounted in 19 per cent for all employee categories corresponding to the level of 2009/10 and still lower than the level of 2008/09. The employee turnover also includes employees resigned in connection with realized rationalization and is regarded as satisfactory. The employee turnover can be illustrated as indicated in below table:

	2008/09	2009/10	2010/11
No. of employees (average)	24,274	23,305	23,357
No. of resigned employees	5,129	4,341	4,435
Percentage of resigned employees	21.1%	18.6%	19.0%

Table 2

In a number of companies satisfaction surveys have been carried out and these show a connection between the sickness absence and the employees' motivation. Similar analyses are to be implemented in the other subsidiaries. (See figure 13: High motivation results in fewer sick days).

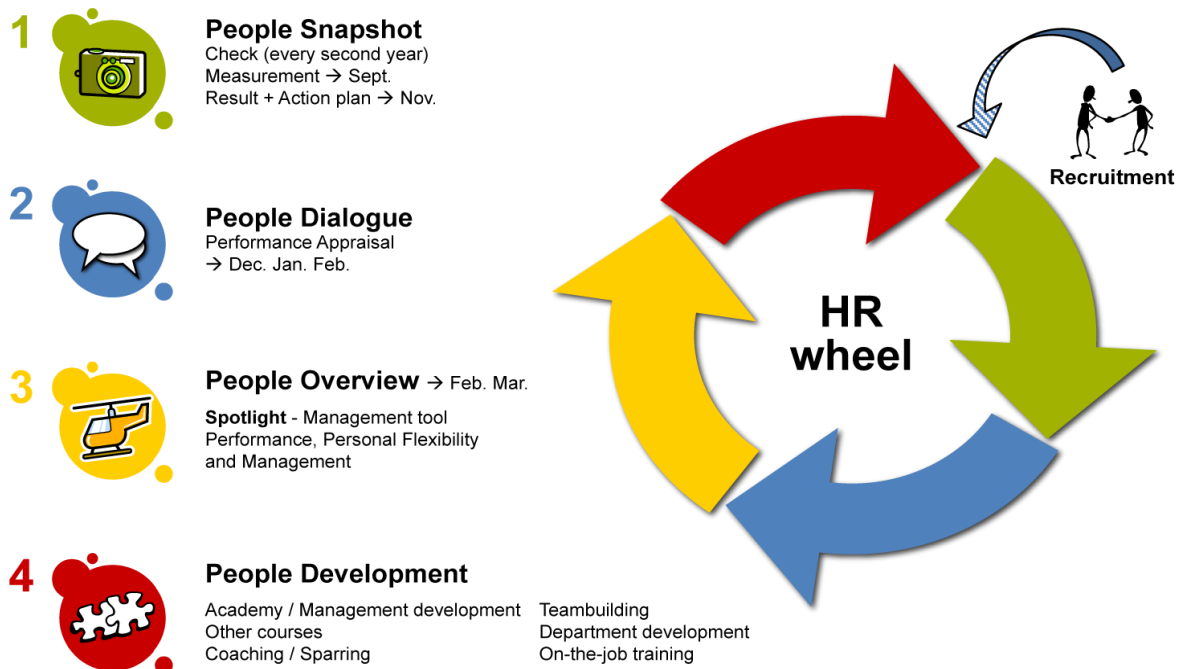


Source: Check 2011

Fig. 13: Higher motivation results in fewer sick days

The vision is to create a motivating and business oriented workplace. This requires a goal-oriented organizational as well as employee-related and managerial contribution.

The group's HR wheel describes a natural connection and structure between the activities of the group.



## People Snapshot



The employees' satisfaction has a large impact on the commercial development, therefore different employee surveys and analyses are carried out.

Every second year, an employee and manager survey, called Check is carried out. In 2010/11 this survey was carried out for a little more than 8,500 employees. The target group for the Check survey is expanded every year so that Check in the long run will cover a large part of the group's employees. Check points out that the employees' motivation and commitment are at a high level compared to other large companies.

	2009	2011	*EEI 2011 DK
Motivation	72	70	69
Commitment	80	77	74
*European Employee Index			

Table 3

The subsidiary Tulip Ltd carries out a similar survey every year with focus on the employees' commitment. The survey "Have Your Say" includes all the company's approximately 8,000 employees.

Further to the employee surveys action plans are worked out and these play a part in securing a positive development of the employees' commitment and motivation.

### **People Dialogue**



In 2011 a new performance appraisal interview system for salaried employees was implemented in a number of companies.

The goal is to have this system implemented at more subsidiaries. In 2011, an assessment of effort both on professional and personal level is introduced. Moreover, present managers with further managerial ambitions and other employees with managerial ambitions will have their ambitions assessed in relation to their managerial potential.

### **People Overview**



Further to the new performance appraisal interview system two new managerial tools have been introduced. These are to secure a general view of the total professional and personal competences in the department in question and the succession planning respectively. These tools contribute to the commercial development and stability. More subsidiaries will be introduced to these tools.

### **People Development**



The introduction of the systems for follow-up has resulted in a goal-oriented planning of supplementary education which is now to a larger degree is based on input from the subsidiaries. The foundation of creating a motivating and committing workplace is good and professional management on all levels.

Parallel with the above-mentioned a new international course for top-level managerial talents from the group's different units has been developed in 2011. The course is named "Synergistic Business Management". The main purpose of the course is to make use of synergies across the organisation. Group strategy, group organizational structure as well as each participant's personal competences are challenged from a synergistic point of view. The course is terminated with an examination paper. The Synergistic Business Management course has participants from Denmark, Germany, the UK, Poland, and Sweden.

### **Workplace Conditions**

Danish Crown has formulated a CSR Charter for workplace conditions. This is published on the company's web site, incorporated in the strategy plan DC2015, and presented on management

meeting for all divisions and subsidiaries of the group. In addition, the CSR Charter has been presented and discussed on meetings in the group's works councils, both nationally and internationally. On a continuing basis the company will follow up on this, both in connection with the group's own employees and in connection with audits of suppliers.

The CSR Charter, which apart from workplace conditions also comprises Danish Crown's policy within human rights, child labour, and anti-corruption, can be seen in its full wording at the following link: [Danish Crown's CSR Charter](#).

### **Work Environment**

Danish Crown works goal-oriented to secure the employees of the company a secure workplace with regard to safety and health. This is among other things done by applying experiences from plant to plant and from company to company. In this way best practice is to improve the work environment on a continuous basis.

In 2010/11, the company has implemented a number of activities, having as a purpose to bring down the health and safety risks resulting in accidents at work, attritions and thereby illness, of which the most significant are mentioned below.

In April 2011, Danish Crown assembled the Danish health and safety committees for a two-day seminar. The purpose was to support the committees in their work with preventing accidents at work, to inform them about new knowledge of optimum ergonomic work positions as well as to introduce micro pause training to prevent attritions. Apart from the very active training, time was spent on sharing knowledge across the group's companies.

### **Accidents at Work**

Over the past years, the company has worked intensively on reducing the frequency of accidents at work at the group's companies. This effort has resulted in a reduction of the number of accidents at work across the group's companies. A significant fall in the number of accidents at the slaughterhouses has taken place. However, the largest fall has taken place in the group's Processing Division where Tulip Ltd from 2008/09 to 2010/11 has achieved a fall in the number of accidents at work of 35 per cent.

Therefore, in total a significant fall in the number of accidents at work across the group's companies has been achieved.

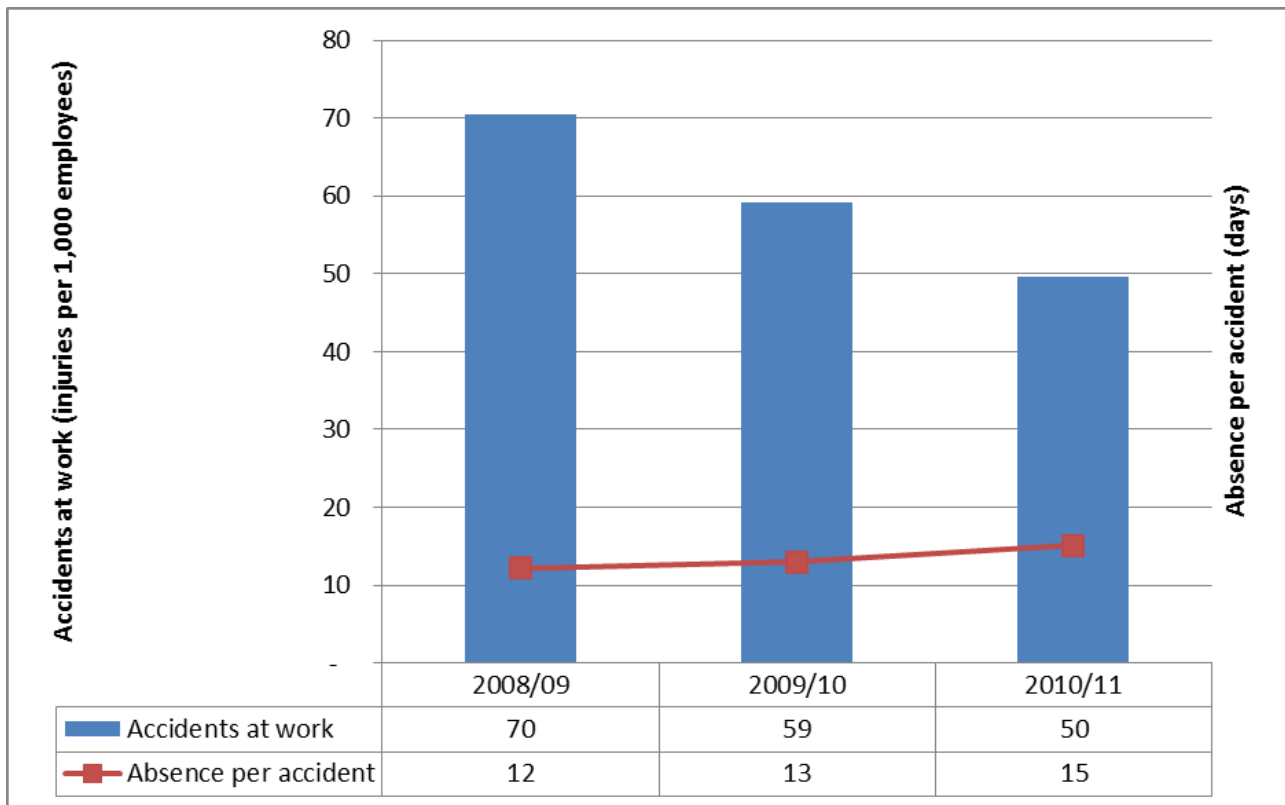


Figure 13: Group figures

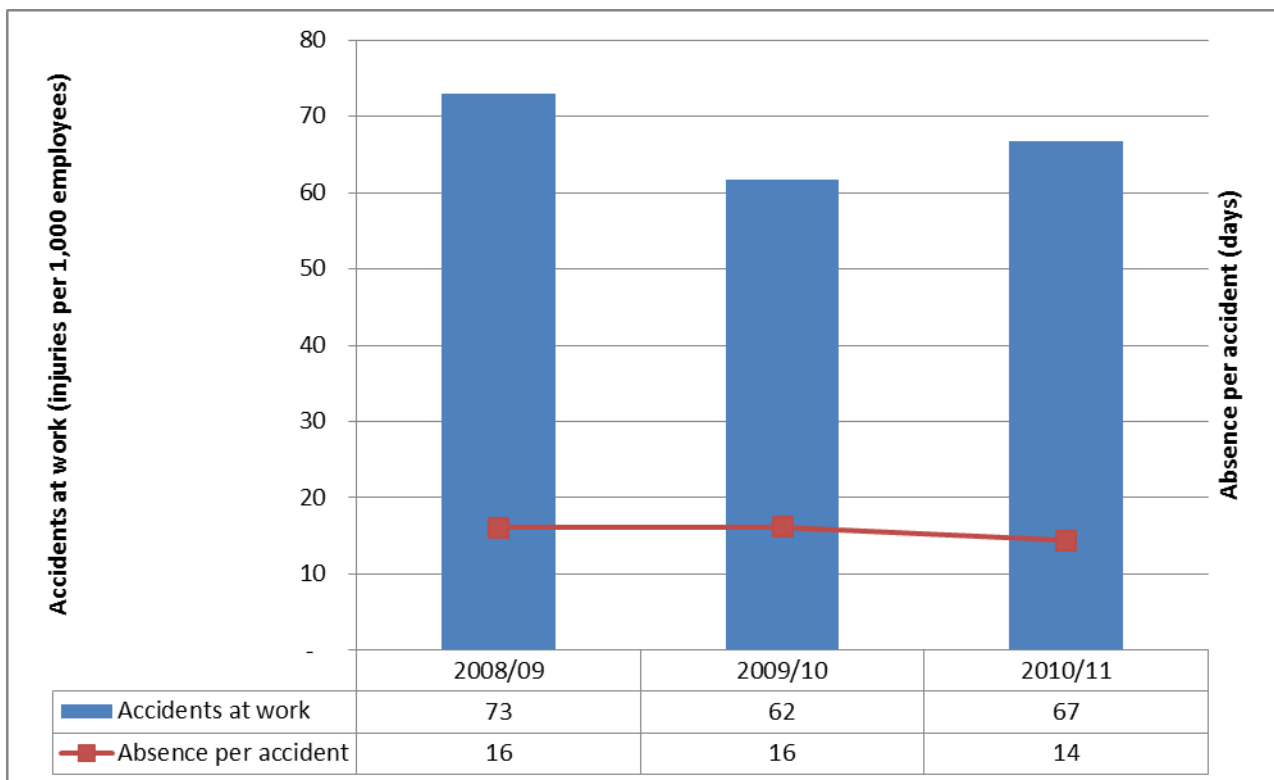


Fig. 14: Fresh Meat Division

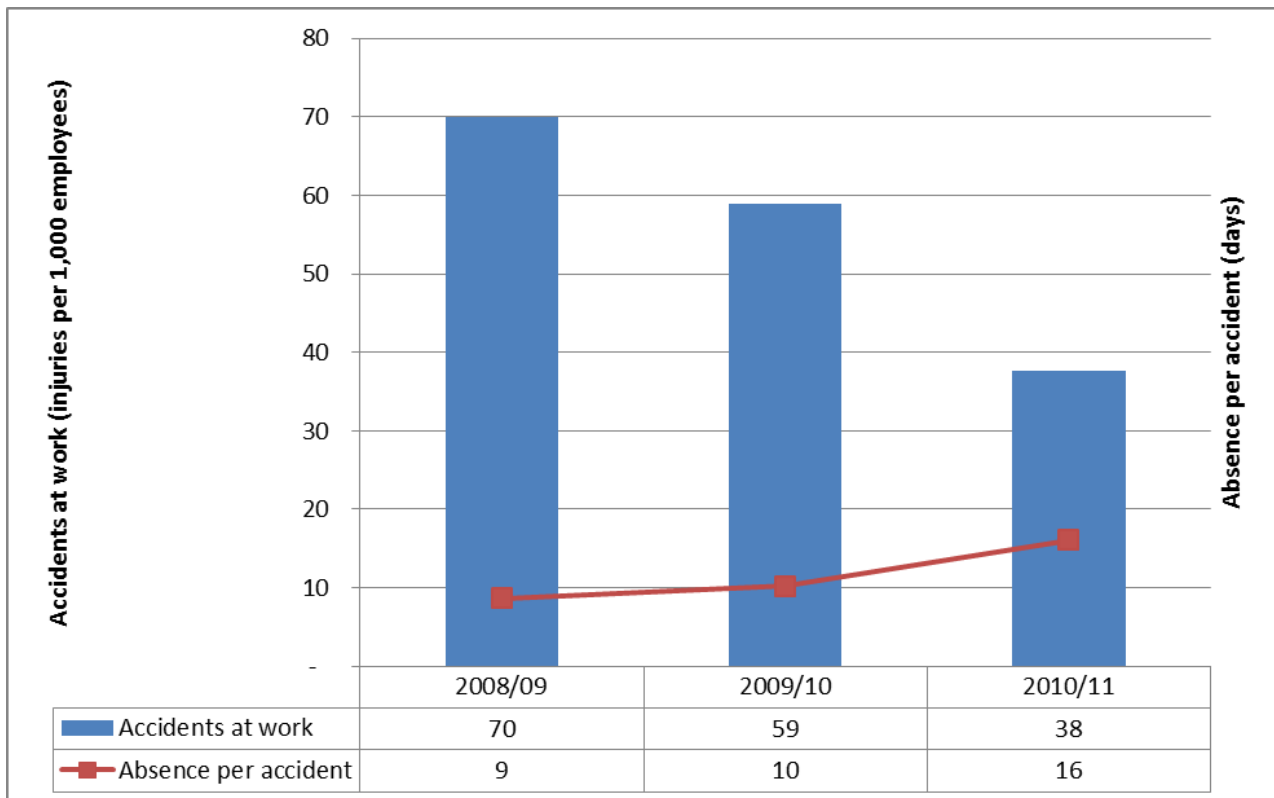


Fig. 15: Processing Division

Danish Crown has always worked very goal-oriented on reduction of accidents at work. The many projects for reduction of accidents at work have brought down the number of accidents and this tendency continued in 2010/11. The number of days of absence per incidents has not fallen with the same rate. The focus has been to educate all health and safety committees in analysing and preventing accidents in a more thorough way in order better to avoid the accidents resulting in absence.

The company's production facilities and work stations have achieved a high level of safety and the layout of the work space is improved on an on-going basis. Therefore, the focus is turned to the employees' attitude and conduct. By involving the employees, the employees' awareness of own responsibility for safety, health, and job satisfaction at the workplace has increased.

Through the accident project the number of accidents at the slaughterhouses has been significantly reduced. The project was initiated six years ago at the department in Ringsted in Denmark, but afterwards it has spread to other departments. The project has especially reduced cutting accidents, but the number of the most severe accidents has also dropped heavily.

### Attrition Injuries

DC Life is a health project where the employees' RSI (repetitive strain injury) is assessed and the employees then are instructed in optimum ergonomic work positions. All health and safety committees are trained and at present instructions of the employees are carried out at the plants.

The RSI assessment can be used for working out of new redeployment plans where the ergonomic burden throughout the working day is taken into consideration. Such redeployment is already implemented for the employees at a department in Sæby in Denmark and this has resulted in minor strain of the used muscles. This new redeployment plan will reduce attrition of the

employees, both throughout a working day and throughout a working life. The goal is to roll out the redeployment method to other departments.

DC Life was launched in the autumn of 2010 and is running for three years. 1,200 employees are included by the project that is supported by the Prevention Fund.

### **Work Environment Level**

The Pork Division in Denmark is certified with regard to work environment. In this connection an on-going accreditation and securing of a continuous improvement of the work environment take place.

The department in the Beef Division and Tulip Food Company in Denmark are not certified with regard to work environment yet, but the departments give high priority to work environment. In the past year, the Danish Working Environment Authority has executed a *Special Inspection Visit* at these plants where the focus among other things was on the physical working environment and ergonomics. All departments have achieved green smileys.

### **Acoustics and Noise**

The increased automation has brought down the strain on the employees but at the same time it has increased the noise more places at the departments. Therefore, the company is working on reduction of noise.

Out of regard for the food safety and hygiene the food companies are subject to special material demands for floors, ceilings, and walls. These demands result in acoustic problems. These special circumstances has led to the Confederation of Danish Industries and the trade union for the food, beverages and tobacco industries (Nærings- og Nydelsesmiddelarbejder Forbundet (NNF)) entering an agreement with the Danish Working Environment Authority stating that the acoustic problems are difficult to solve at these companies. Instead the companies work with reduction of the noise at the source.

A number of initiatives has been launched in order to bring down the noise at the source and to work out redeployment plans taking the noise burden into consideration.

### **Human Rights**

In line with the growing globalization and establishment of activities in new countries it must be secured that internationally recognized human rights are observed. Danish Crown is working for a culture securing that the diversity already build up in the group will be further developed in the group as a natural consequence of the fact that the group changes from being a Danish company with exports to being an international company.

In 2010/11, Danish Crown formulated a CSR Charter in which the group's position on e.g. human rights is stated. The Charter is published on the company's web site, incorporated in the strategy plan DC2015, and presented on management meeting for all divisions and subsidiaries of the group. In addition, the CSR Charter has been presented and discussed on meetings in the group's works councils, both nationally and internationally. The company will follow up on this on a continuing basis.

The CSR Charter can be seen in its full wording at the following link: [Danish Crown's CSR Charter](#)

## Anti-corruption

Danish Crown's believes that bribery in connection with commercial activities cannot be accepted. In 2010/11 no incidents in this respect have been registered. This work will be continued in line with the increased alertness that the area is given, e.g. in continuation of the spread of UN Global Compact and the national measures, where e.g. the newly adapted British act on fighting bribery, the Bribery Act, as expected has a spillover effect in many countries. The focus will be turned to anti-corruption not least by the start of activities in countries where the custom for this field deviates from the custom known in Denmark. This applies the business as a whole as well as the sales and procurement areas that years ago updated the strategy concerning this to modern ethical standards.

On all considerable markets national laws are observed.

As previously mentioned, Danish Crown in 2010/11 formulated a CSR Charter in which the group's position on e.g. anti-corruption is stated. The Charter is published on the company's web site, incorporated in the strategy plan DC2015, and presented on management meeting for all divisions and subsidiaries of the group. In addition, the CSR Charter has been presented and discussed on meetings in the group's works councils, both nationally and internationally. The company will follow up on this on a continuing basis.

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