



# UN- GLOBAL COMPACT

PROGRESS REPORT

2012/13

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## 1. CEO statement

# It's all about decency

Danish Crown is one of Europe's leading food manufacturing companies. In all parts of the value chain, we ask ourselves whether the production conditions are decent for animals, humans and the environment. Danish Crown has many years of experience at reducing the number of accidents at work and absence due to illness, improving processes for the benefit of the environment, developing healthy and safe foods as well as setting animal welfare standards. Today, the Danish Crown group has some of the most modern production facilities in the world and, while taking into account considerable cultural diversity, we are continually striving to ensure best practice at all our factories.

Danish Crown's CSR policy must ensure that the company lives up to internationally recognised principles for corporate social responsibility. Danish Crown joined the UN Global Compact in 2011, and the policy is therefore based on the UN Global Compact's ten principles in the areas of human rights, labour rights, the environment and anti-corruption. The CSR policy is an important tool for integrating the principles in the daily working routines across the group companies (the CSR policy is attached as annex).

During 2012/13, both the CSR policy and the CSR strategy have been updated to reflect the new international expectations that companies exercise due diligence in their work with CSR as formulated in the UN Guiding Principles on Business and Human Rights and the OECD Guidelines for Multinational Enterprises. The CSR policy and the CSR strategy identify a number of focus areas, and the progress being made to fulfil the strategy's objectives is described in this progress report. More case stories exemplifying our effort can be found on our website [www.danishcrown.dk/csr](http://www.danishcrown.dk/csr).

***Kjeld Johannesen, Group CEO***

## 2. Approach

# Local embeddedness and open dialogue

Danish Crown has a principle of decentralised management. This means that all managers of the group's companies are responsible for implementing the CSR policy in their business units and adding their own guidelines for CSR areas as and when required by local production and market conditions or by local legislation. Today, Danish Crown is present in many countries around the world, which are characterised by considerable cultural diversity and widely differing labour market conditions. The management systems are tailored to local conditions and needs, and some companies have therefore made more progress in implementing CSR in their operations.

Danish Crown stands out in the landscape, especially in those countries where we have production facilities. Consequently, we make a point of engaging in an open dialogue with society at large about our social responsibility, and we try to make a positive difference, both locally and nationally. Among other things, we collaborate with the public authorities, educational institutions and business partners to ensure that our production is sustainable, and our employees are closely involved in various social projects. Examples are Tulip Food Company, which has donated soup to DanChurchSocial's 41 shelters for the homeless in Denmark, and Tulip Ltd's Variety Club, where many employees are involved in fundraising for local charity projects.

### 3. Food safety

## Food safety is top-class

The quality and safety of the group's products are given extremely high priority. We impose strict requirements with regard to cleaning, own checks and traceability, and are continually working to improve our own internal procedures. More than 95 per cent of production takes place at facilities, which are certified by independent third parties in accordance with the requirements and rules applicable in the countries where the products are marketed. Danish Crown's facilities are primarily certified on the basis of the following standards: GRMS (Global Red Meat Standard), SQF (Safe Quality Food), IFS (International Food Standard) and BRC (British Retail Consortium). In addition to our own checks and external auditing in connection with the certifications, our products are checked by local authorities as well as by our customers. Danish Crown requires that its European suppliers meet the EU's food safety requirements. We are also working to ensure that non-EU suppliers meet these requirements.

An important aspect of the food safety work is identifying any product contamination/defects before products leave production and are shipped to customers. Danish Crown has therefore drawn up a procedure for recalling products and informing the public about the risks presented by products that are in the shops but do not satisfy our high product standards. In the 2012/13 financial year, we recalled 123 tonnes of finished products, which corresponds to a negligible proportion of the company's total tonnage.

Objectives 2013-2018:

- To keep product recalls at the lowest possible level.
- To register and follow up on complaints.



### Case: Testing European businesses

In 2013 it was revealed that several producers were using undeclared horsemeat instead of beef in their products, which led to widespread panic-like reactions among European customers and consumers. Over a ten-week period, we conducted more than 800 analyses to test whether products produced at Danish Crown's companies contained undeclared horsemeat. The analyses showed that there was no undeclared horsemeat in any of our products, but the entire scandal severely tested our extremely efficient control and traceability systems from the finished product all the way back to the farm, which had supplied the animals for slaughter. Even though the large number of analyses found no undeclared horsemeat, it nevertheless meant that the number of approved suppliers of beef to Tulip Food Company has now been reduced from 174 to 93. This means that we have a much clearer picture of the individual suppliers, which will make it possible to create a complete overview faster in the event of similar cases in future.

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## 4. Health

# Healthy foods on the shelves

Danish Crown wants to play its part in improving consumer health, and every year we launch new products where the focus is both on flavour and on fat and salt content. It is entirely down to the individual consumer, which foods he or she wishes to eat, but we will ensure that our products carry nutritional labelling so that consumers have a genuine choice. Consumer preferences and demands vary in the various markets, and we therefore supply products, which are tailored to different tastes and economies. In the 2012/13 financial year, we concluded 202 projects aimed at reducing the salt content in our products, with a further 91 projects still in progress.

Danish Crown is working with both Danish and international authorities and organisations on salt and fat recommendations within a number of product categories. The official nutritional recommendations are becoming stricter and stricter, and therefore, despite our efforts to reduce fat and salt content, there has been a slight fall in the volume of products which live up to the recommendations from 103,524 tonnes in the 2011/12 financial year to 95,735 in 2012/13.

Objectives 2013-2018:

- To offer products that meets the official nutritional recommendations within as many different product categories as possible.



### Case: Low-fat products for children

To help promote healthier eating habits for children and young people, Sokołów in Poland has developed a range of low-fat cold cuts products for children under the SOKOLIKI brand. Sausages with higher meat content, lower fat content and without artificial casings proved very successful. Sokołów therefore expanded the range to include chicken and pork cold cuts as well as a pâté, which, in addition to being low in fat and high in protein, does not contain any phosphate or gluten. One of the most popular Polish basketball players, Marcin Gortat, helped to promote the products while at the same time encouraging children and young people to take more exercise.

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## 5. Animal welfare

# High animal welfare requirements

How animals are treated on the farms, during transport and at the slaughterhouse is strictly regulated by the authorities. Danish Crown meets all statutory animal welfare requirements and also sells a wide selection of products that meet special consumer wishes with respect to quality and animal welfare.

Together with the retail trade, we have developed a wide range of concepts that define the production of special pigs, for example “Antonius”, “Den Go’e Gris” and “Bornholmergrisen”. Our Danish pig suppliers must comply with a Code of Practice for animal welfare on their farms. Similar schemes are found in the UK, and we are continually investigating the possibility of introducing similar schemes in other slaughterhouse units. Moreover, we support third-party audits based on national schemes, for example QS in Germany and Danish in Denmark. Ninety-two per cent of the slaughtered animals are subject to the Code of Practice or other schemes imposing strict animal welfare requirements. The Code of Practice for animal welfare can be downloaded from our website [www.danishcrown.dk/csr](http://www.danishcrown.dk/csr).

Danish Crown has a special responsibility for ensuring that the collection, unloading and slaughtering of animals are carried out as gently as possible and performed within reasonable time limits. Employees engaged in handling live animals therefore receive special training so they understand the animals’ behaviour and physique. In Denmark, the slaughterhouses lie relatively close to one another so transport times are therefore short.

Objectives 2013-2018:

- To increase the number of special pigs subject to higher animal welfare requirements.
- To initiate the development and implementation of certification schemes for groups of cattle suppliers.
- To extend animal welfare training to staff working in the pens at all the slaughterhouse units and to enhance animal welfare through equipping the pen areas accordingly.



### Case: International praise for the Antonius and Den Go’e Gris concepts

In October 2013, Danish Crown’s special pigs, Antonius and Den Go’e Gris, received an international award for good animal welfare. It happened when the UK organisation Compassion in World Farming (CIWF) presented the “Good Sow Award” for the conditions in the sow housing units. The pigs have more space, and more is generally done to ensure animal well-being, which in turn improves the quality and taste of the meat. In future, we will maintain and possibly develop these distinctions in relation to traditional production. For example, from 2017 the sows must be loose-housed throughout the entire gestation period, except for the first four days after farrowing.

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## 5.1 Organics and free-range

# Organics and free-range still developing

Danish Crown wants to help promote the sale of organic products and products meeting particularly high animal welfare requirements. In Denmark, many of these activities take place in Friland, a subsidiary for farmers who produce organic pigs and cattle as well as pigs and cattle meeting animal welfare requirements. Friland is Europe's biggest organic meat company and has considerable exports.

Danish Crown also produces, slaughters, processes and markets products from organic animals or animals, which have been reared in open fields in Sweden and the UK. In the UK, Tulip Ltd's subsidiary Dalehead produces organic pigs as well as free-range pigs and lambs at 250 farms. The meat is sold via a major British supermarket chain, which imposes a number of strict animal welfare requirements.

Even though sales of organically produced and free-range animals is seeing constant growth, free-range animals only accounted for 0.8 per cent of the total number of slaughtered animals in the 2012/13 financial year.



### Case: Pigs enjoy life in the woods

Friland has developed a new concept where ten-week-old free-range pigs are released into woods. Here, the 500 pigs have nine hectares in which to roam freely. Pigs are originally forest animals, something that is clear when you see them in their natural environment. They immediately bury their snouts in the soil and curl their tails. They love rummaging around in the soil, finding cones, slugs and roots. After three months, the pigs have completely cleared the forest floor, which then needs to be left.

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## 6. Environment

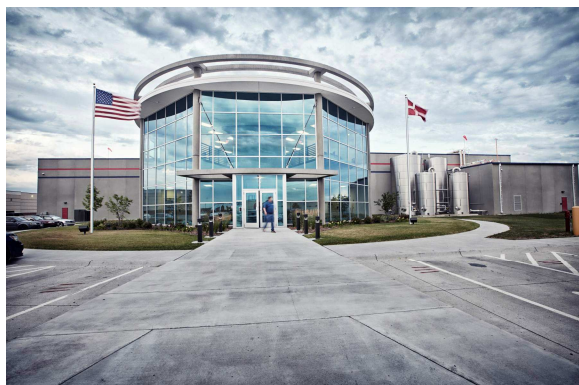
# Systematic environmental efforts

The most important environmental factors associated with Danish Crown's production are water and energy consumption, CO<sub>2</sub> emissions, the consumption and discharge of cleaning chemicals, the production of animal waste as well as noise and odours. The individual companies in the group have drawn up environmental strategies setting out specific targets about continually cutting resource consumption and reducing the environmental impact of their activities. The pig slaughterhouses in Denmark are certified according to the ISO 14001 environmental management system. Of the remaining Danish factories, the majority are covered by green accounts, where the consumption of water, energy and cleaning chemicals and wastewater handling are registered and reported to the local authorities. All factories have employees responsible for implementing environmental initiatives. The green accounts can be downloaded from our website [www.danishcrown.dk/csr](http://www.danishcrown.dk/csr).

We collaborate with the public authorities, educational institutions and other enterprises in the value chain to reduce the environmental impact from all parts of the chain. We pay close attention to resource efficiency, the climatic impact of the products and water consumption in the life cycle, the acreage allocated to feed production, biodiversity, production waste as well as packaging.

Objectives 2013-2018:

- To implement environmental and energy management according to internationally recognised standards at all factories in the group.
- To map the resource efficiency of fresh pork from a farm-to-fork perspective.



### Case: Sustainable building

In October 2012, Plumrose USA opened a new cold cuts factory in Council Bluffs in Iowa, USA. The factory meets the highest standards for sustainable building and is certified according to the American LEED (Leadership in Energy and Environmental Design) system. Among other things, the factory has energy-efficient machines, automated processes that protect the employees and a wastewater treatment plant. Moreover, the factory cuts transport requirements by approx. 1,458 km (906 miles) per produced truckload, corresponding to annual savings of approx. 720 m<sup>3</sup> fuel, 1,760 tonnes CO<sub>2</sub> and 5 tonnes of rubber.

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## 6.1 Energy and climate

# Focus on overall climatic impact

Danish Crown is focusing on the overall impact on the climate of its products. We are therefore working to minimise the impact of the group's activities as well as those of the rest of the value chain. This happens in cooperation with industry organisations, the authorities, educational institutions and other enterprises in the value chain. The efforts being made to reduce energy consumption at our factories are concentrated on the most energy-intensive processes. The temperature at Danish Crown's factories is critical to food safety, and consequently process cooling for rooms and for freezing products is the primary source of energy consumption. Our climate strategy can be downloaded from our website [www.danishcrown.dk/csr](http://www.danishcrown.dk/csr).

Objectives 2013-2018:

- That all factories reduce energy consumption to the group's best practice level. At company or division level, the aim is to reduce energy consumption by 3 per cent a year per tonne of finished products.
- To explore the possibilities and savings potential of investing in renewable energy or selling surplus energy from production.
- To implement carbon footprint projects within key product categories in partnership with the retail trade.

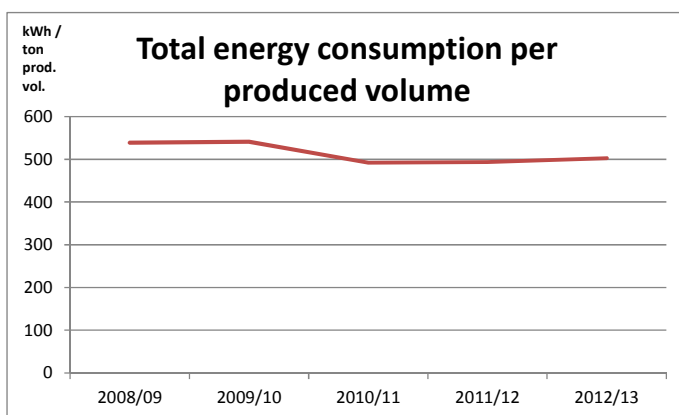
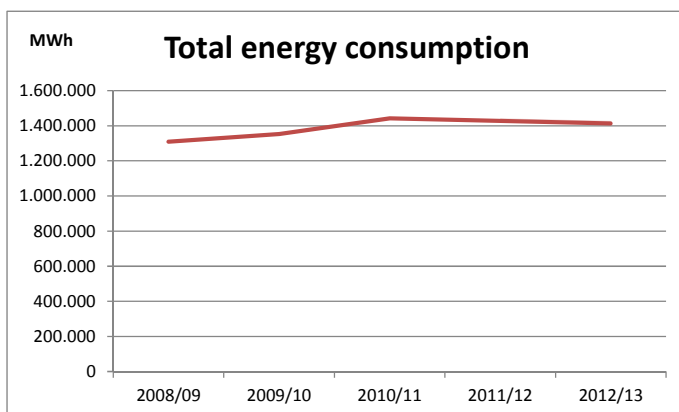


### Case: Minor adjustments – big effect

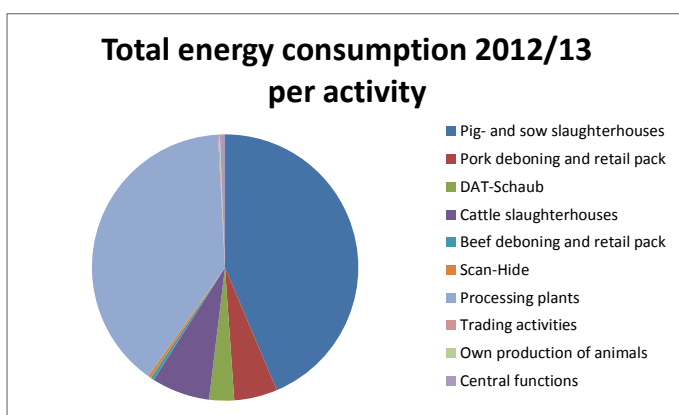
At the Danish pig slaughterhouse in Sæby, the temperature in the deep-freeze facility was adjusted in relation to the time which the pigs spend in the deep-freeze facility so that it is now tailored to the night shift's work on the slaughter line. Moreover, as a preventative measure the condensers are descaled with ion-exchanged water, and in the chilling tunnel, gas is now used rather than electricity to thaw ice on the evaporators that produce the cold. These measures have resulted in total energy savings of 866 MWh a year.

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## Energy consumption

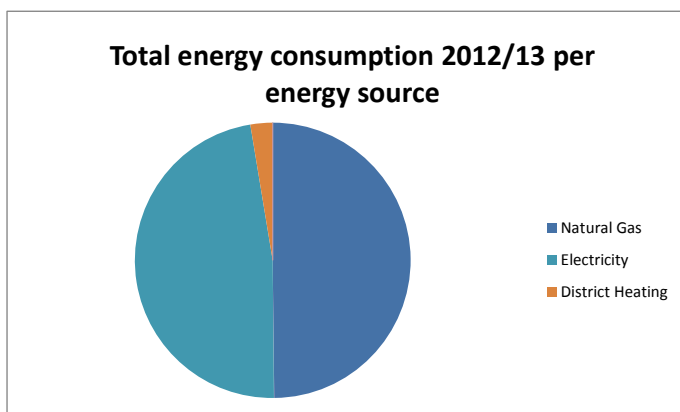


The energy consumption per produced volume has increased by 2% from 2011/12 to 2012/13. Looking forward the target is to reduce the consumption by 3% per year over the next 5 years. In 2013/14, we will set up environmental KPI's for benchmarking of our factories and strengthen the data collection and the follow-up on the KPI's.



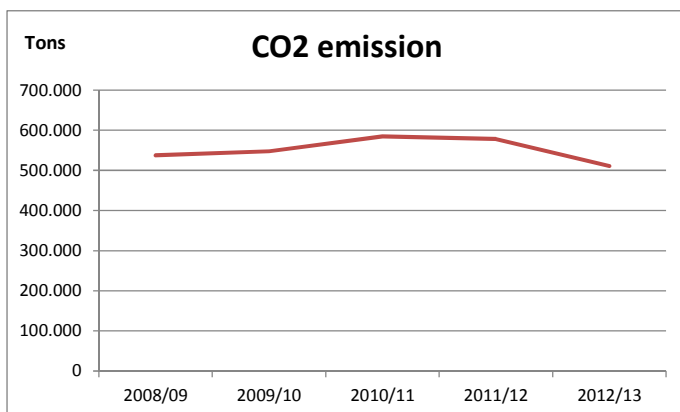
The pig and sow slaughterhouses consumes 43.7% of the total energy consumption in Danish Crown, followed by the processing plants consuming 39.4% of the energy consumption. The energy consumption per produced volume is higher in the processing plants, because of many energy intensive processes, compared to the other activities in Danish Crown. The processes include curing, smoking, roasting, deep-frying and boiling. The energy consumption in relation to deboning, cutting and retail packing is low, both in total and per produced volume, compared to the slaughterhouses and processing plants.

## Energy sources

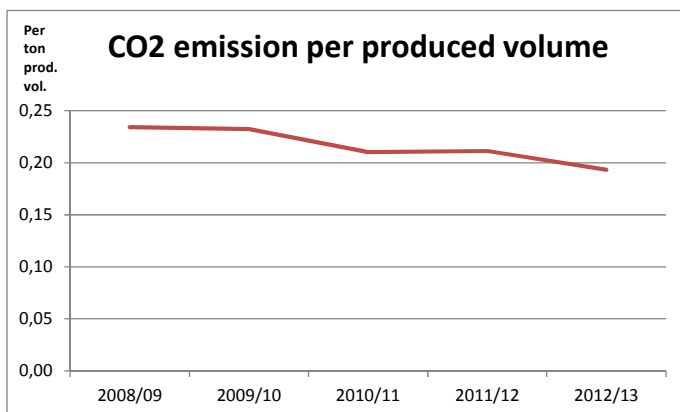


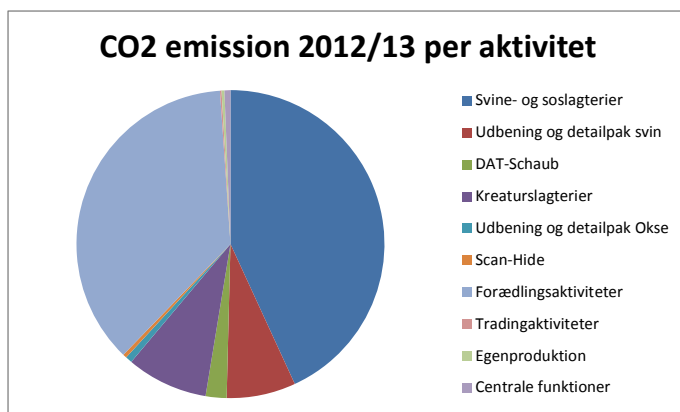
On the Danish, German and the majority of the pig slaughterhouses in Poland and the UK, natural gas is the main energy source. The main energy source in Sweden is electricity and district heating. Almost all cattle slaughterhouses and processing plants use natural gas and electricity as the main energy source. 49.8% of the total energy consumption in the DC Group is natural gas, while 47.5% is electricity.

## CO<sub>2</sub> emissions



CO<sub>2</sub>-emissions depend on the energy consumption and the energy sources. Emissions are low from energy sources like water and nuclear power, while emissions especially from coal and coke based energy are high – even when compared with the emission from natural gas. Since the production of electricity in Sweden and France is based on water and nuclear power, the emission from the factories in these two countries is lower than the emission from the other factories in the Danish Crown Group.





The CO2 emissions are closely connected to the production activities. The pig and sow slaughterhouses including the deboning, cutting and retail pack activities covers 50.4% of the CO2-emissions, while the processing plants covers 36.7%. The cattle slaughterhouses including the deboning, cutting and retail pack activities covers 8.6% of the CO2-emissions.

## 6.2 Water and waste water

# Water consumption a constant challenge

Danish Crown uses water to clean its production facilities, for disinfection, for scalding pigs and to cook its products. Much of the water evaporates in connection with cooling, cleaning and drying, but most is discharged as wastewater. We are continually making efforts to reduce the company's water consumption and the volume of organic material, which is discharged to the drains. These efforts include changing behaviour as well as implementing technical solutions.

Objectives 2013-2018:

- That all factories reduce water consumption to the group's best practice level. At company or division level, the aim is to reduce water consumption by 3 per cent a year per tonne of finished products.
- That all factories reduce the volume discharged to the drains to the group's best practice level. At company or division level, the aim is to reduce the volumes discharged to the drains by 10 per cent per tonne of product produced.
- To explore the possibilities for and savings potential of reusing water for other processes.
- To develop a method for mapping the water footprint of fresh pork.

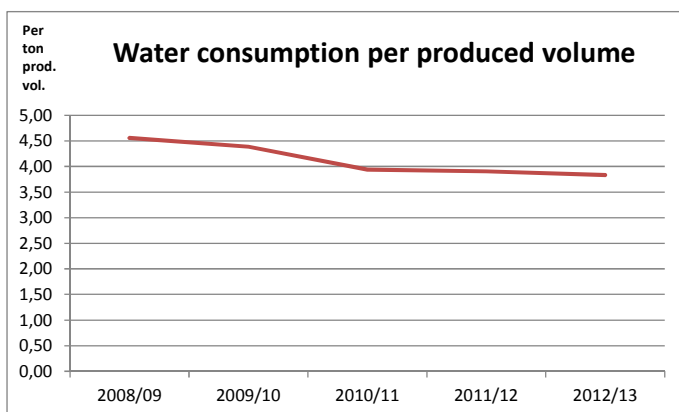
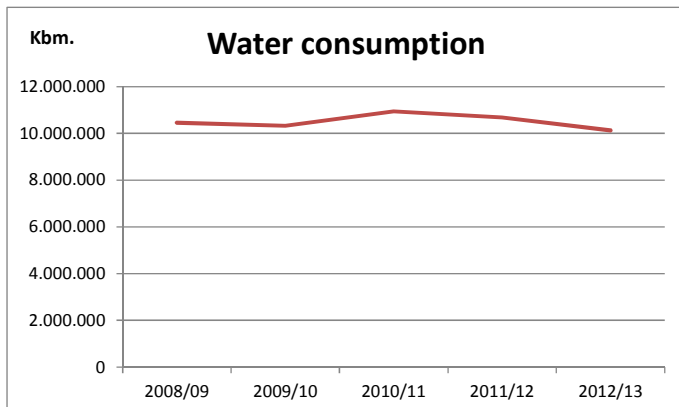


### Case: New processes reduce discharge of organic material

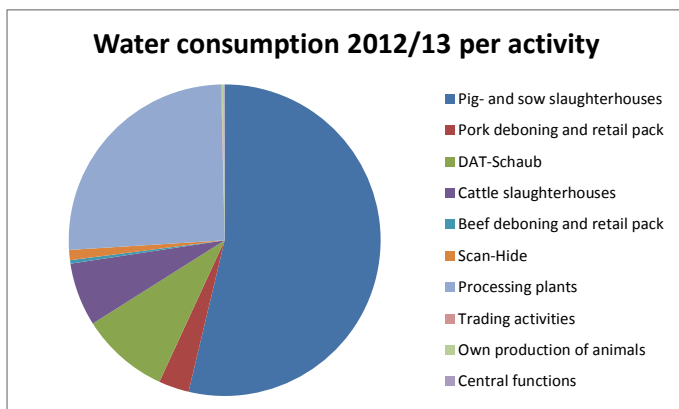
In the 2012/13 financial year, the tannery Scan-Hide in Denmark has made targeted efforts to optimise the factory's pre-treatment plant to reduce the volume of organic material (TOC - total organic carbon) in the wastewater. In summer 2013, part of the pre-treatment plant's machinery was replaced with more effective cleaning processes. Some of the wastewater contains high concentrations of sulphide, which has to be removed under very controlled conditions. This previously happened through the catalytic transformation of sulphide to sulphate through oxidation. This process has not been stable, and the oxidation process has therefore been replaced with one in which both the sulphide and the organic material are precipitated with metal ions. This ensures a more stable treatment process while reducing the TOC discharge by 20 per cent.

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## Water consumption

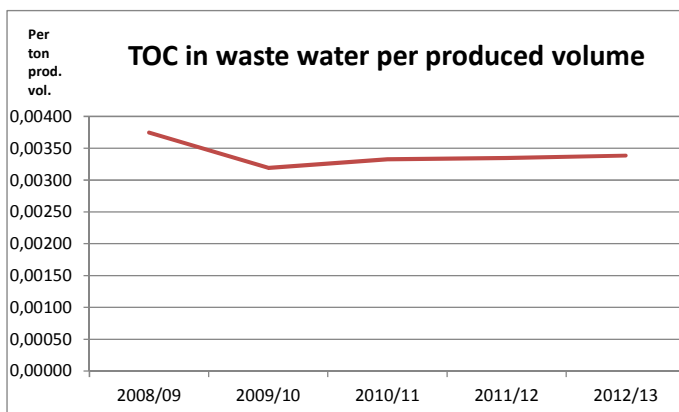
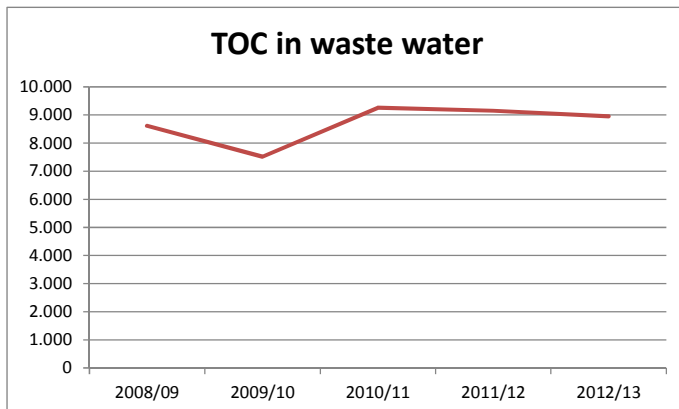


The water consumption per produced volume has been reduced by 2% from 2011/12 to 2012/13. Looking forward, the target is to reduce the water consumption by 3% per year. In 2013/14, we will set up environmental KPI's for benchmarking of our factories and strengthen the data collection and the follow-up on the KPI's.

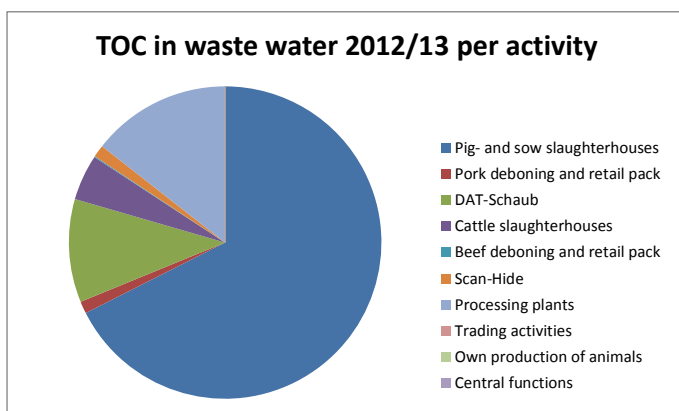


The pig and sow slaughterhouses consume 53.7% of the total water consumption in the Danish Crown group, followed by the processing activities consuming 25.6%. The water consumption per produced volume, however, is lower in the slaughterhouses than in the processing plants. The processing plants use not only water for cleaning according to meet the high safety and sanitation standards; they also use water in the product processing such as boiling and curing. DAT-Schaub consumes 9.2% of the total water consumption, since the activities within processing of casings require some water. The water consumption in relation to deboning, cutting and retail packing is low, both in total and per produced volume, compared to the slaughterhouses and processing plants.

## TOC discharge



TOC (Total Organic Carbon) per produced volume in 2012/13 is unchanged compared to last year. Looking forward, the target is to reduce the volume of TOC in wastewater by 10% over the next 5 years. In 2013/14, we will set up environmental KPI's for benchmarking of our factories and strengthen the data collection and the follow-up on the KPI's.



67.5% of the emission of TOC (Total Organic Carbon) is related to the pig and sow slaughterhouses, while the share related to the processing plants is 14.4%. The DAT-Schaub share is 10.7%. When seen in relation to produced volume the difference is not that different.

## 6.3 Chemicals

# New ways to fewer chemicals

Most of the chemical products are used for cleaning at the factories, which is crucial for food safety. Danish Crown is continually working to reduce the use of cleaning chemicals and to replace environmentally harmful substances with more environment-friendly alternatives, where this can be done without compromising food safety. Another focus area is refrigerants. In Denmark, Danish Crown almost only ever uses ammonia as a refrigerant, because it has such a limited climatic impact. The experience from Denmark is shared with the other factories that still use synthetic refrigerants, which are powerful greenhouse gases.

Objectives for 2013-2018:

- That all factories reduce the consumption of hazardous substances (excluding refrigerants) to the group's best practice level. At company or division level, the aim is to reduce the use of hazardous substances by 20 per cent.
- That all factories reduce the emission of refrigerants to the atmosphere to the group's best practice level. At company or division level, the aim is a 50 per cent reduction.

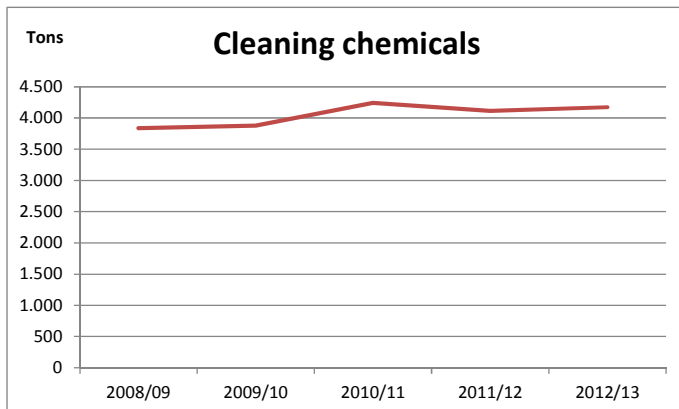


### Case: Almost drip-free oil cuts cleaning

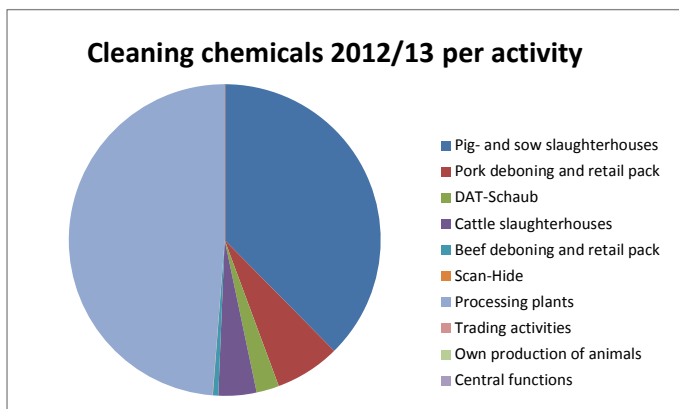
To prevent friction heat and wear, the pig slaughterhouses use oil to lubricate the suspension system that is used to transport the carcasses. Surplus oil that drips down onto the floor is removed with a fat-solvent cleaning agent. The Danish slaughterhouse in Skærbæk looked at the possibility of replacing this cleaning agent with a more environmentally friendly alternative, but is now using oil that adheres better to the metal, which means that less oil drips onto the floor. This has reduced the consumption of the fat-solvent cleaning agent by a third.

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## Chemical consumption for cleaning



The total consumption of cleaning chemicals increased by 1.4% from 2011/12 to 2012/13. Looking forward, the target is to reduce the consumption of products with hazardous components by 20% over the next 5 years. This can be achieved by replacing hazardous cleaning chemicals with less hazardous products. In 2013/14, we will set up environmental KPI's for benchmarking of our factories and strengthen the data collection and the follow-up on the KPI's.



Cleaning chemicals are mainly used at the food producing plants where food safety is a very important key issue. 44.3% of the consumption of such chemicals are used in the pig and sow slaughterhouses including deboning, cutting and retail pack activities, while 48.7% is used in the processing plants.

## 6.4 Waste

# Waste is a resource

Waste is a resource, and how it is handled largely determines whether it can be recycled. Danish Crown is focusing its efforts on increasing the degree to which waste is sorted into recyclable waste fractions. This applies to plastic and cardboard as well as iron and other metals. We also want to use as much of the slaughtered animals as possible for food. By strategically exploiting the differences that exist in global food cultures, we can sell more of the pig and the cow for human consumption and thereby reduce the loss of animal proteins.

Objectives 2013-2018:

- To increase the use of biological waste, including the use of animal by-products, sludge and fertiliser.
- To increase the proportion of the waste which is reused, while taking account of the collection systems and recycling options in the various countries.
- To implement two to three projects on food waste per company per year.
- To implement two projects on minimising packaging each year for the slaughterhouse companies and five projects a year for the processing companies.

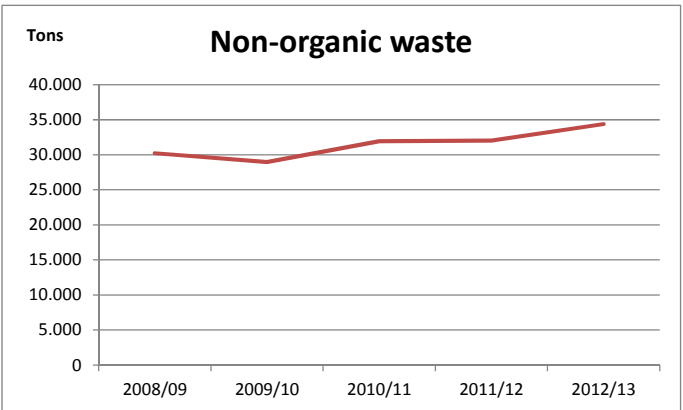


### Case: Packaging today, waste tomorrow

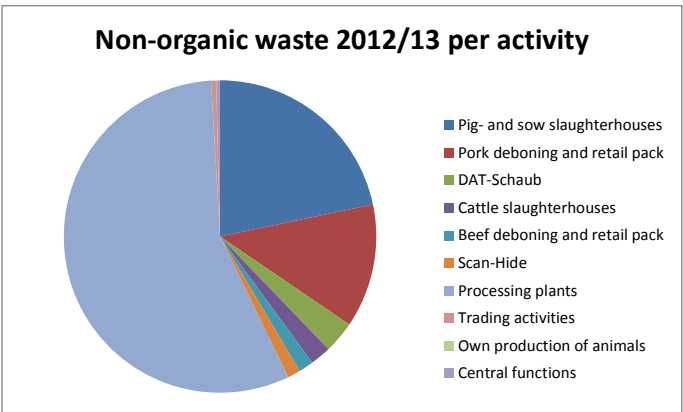
Tulip Ltd in the UK is collaborating with packaging manufacturers on reducing the weight of packaging and increasing the proportion of recycled materials in the packaging – while at the same time ensuring that the packaging provides the same level of protection for the contents. In the 2010-2012 period, packaging volumes have been successfully reduced by 11 per cent, or 1,500 tonnes. At the same time, 90 per cent of the used cardboard packaging is now made of recycled cardboard, while the PVC-based plastic packaging contains 70 per cent recycled materials.

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## Non-organic waste

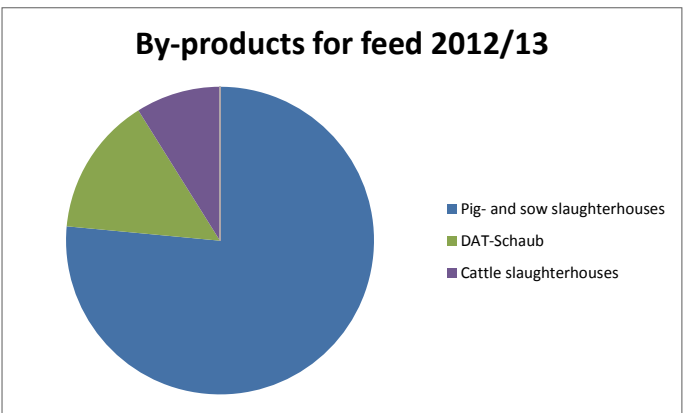


The total volume of non-organic waste increased by 7% from last year. Fluctuations in the volume depend on various specific events resulting in such types of waste in excess of the usual volume. This could be renovation projects on buildings and plants, scrapping of packaging and other unusual events.

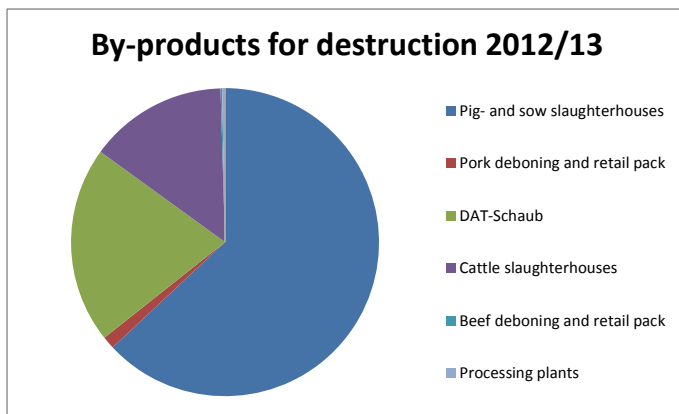


The processing plants covers 56.3% of the non-organic waste volume while the pig and sow slaughterhouses including deboning, cutting and retail pack activities covers 34.5%.

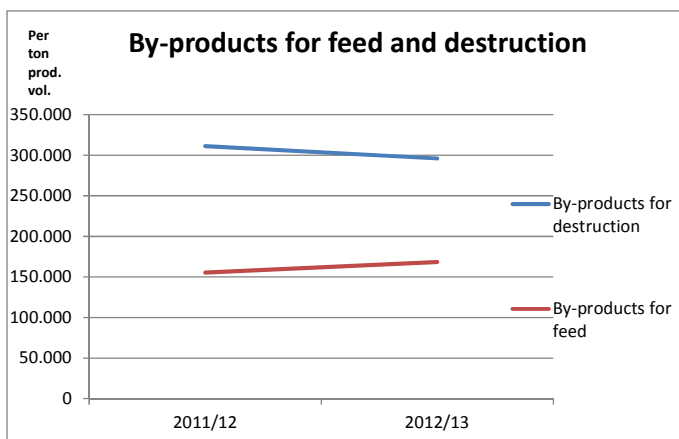
## By-products for feed and destruction



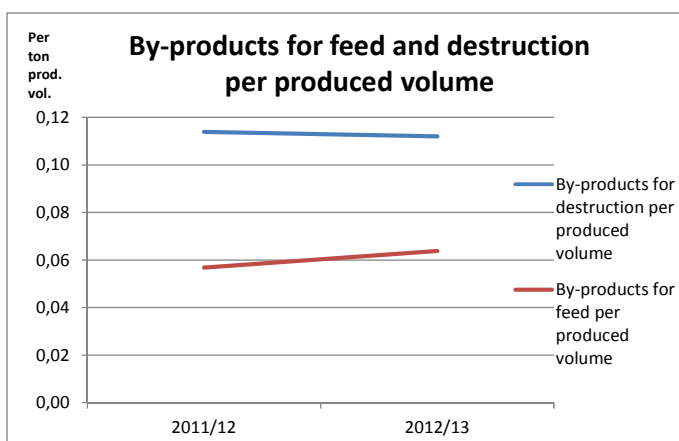
By-products for feed come from the slaughterhouses. 76% comes from the pig- and sow slaughterhouses, 15% from DAT-Schaub, and 9% from the cattle slaughterhouses.



By-products for destruction mainly come from the slaughterhouses. The pig- and sow slaughterhouses deliver 63% of the total volume, while 20% comes from DAT-Schaub and 15% from the cattle slaughterhouses. The remaining 2% come from the deboning and processing activities.



The volume of by-products for destruction is still higher than the volume of by-products for feed, but the distance between the two categories has been reduced concurrently with new possibilities for improving the utilization of the raw materials.



## 7. The workplace

# The good workplace

The safety and health of all employees is a high priority for the Danish Crown group. The company is committed to preventing accidents in the workplace and to reducing the number of repetitive strain injuries. We do so by ensuring the expedient layout of workplaces, by providing correct instructions and by introducing new technology, for example automation. Job satisfaction and the development of employees' competencies are also important focus areas.

The group's companies in Denmark, Germany, the UK, France and the USA have implemented health and safety management systems. These management systems ensure that the companies follow uniform procedures for handling health and safety issues and continuously improve the working environment. The pig slaughterhouses and casings cleaning facilities in Denmark are certified according to the OHSAS 18001 health and safety standard. Danish Crown's employees are involved in the work via occupational health and safety organisations and groups that are continually being trained and updated on the latest working environment know-how.

Objectives 2013-2018:

- To implement health and safety management according to internationally recognised standards at all large factories in the group.
- To strengthen the efforts being made to ensure high job satisfaction, including measures to prevent stress and bullying.
- To strengthen the health and safety organisation through training and education.
- To monitor technological developments and explore the benefits of introducing new technology.



### Case: Well-being a shared responsibility

Normally, the employees' anonymity takes first priority when the working environment has to be measured and assessed at the slaughterhouses, but at the Danish facility in Ringsted, a job satisfaction survey was conducted which was not anonymous. Here, 160 questionnaires were distributed, and 158 completed questionnaires were returned. As a follow-up to the questionnaires, 60 employees had an interview with a health and safety representative and a management representative. During the interviews, clear proposals were drawn up for resolving various issues. These have now been pinned up in the canteen – without including any names – as a reminder and to inspire everyone to take part in the process. The job satisfaction survey has resolved many potential conflicts, created a more open forum in which to discuss the working environment and drawn attention to what constitutes a good working environment where everyone's well-being is a shared responsibility.

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## 7.1 Accidents at work

# Targeted efforts to prevent accidents at work

For several years, Danish Crown has been working actively to reduce the number of accidents at work. Positive results have been achieved through continuously focusing on improving the workplace, for example by installing screening and fall protection measures etc. We ensure that all employees have the best possible personal protection gear at their disposal, and they are instructed in how to perform the work safely and responsibly while receiving regular training and instruction. New technology that can completely remove the risk of accidents for the individual employee is tested, trialled and introduced where practically and financially expedient.

Objectives 2013-2018:

- That all factories reduce the number of accidents at work that lead to a full day of absence to the group's best practice level. At company or division level, the aim is to reduce the number of work-related accidents by 20 per cent.
- That all factories reduce the absence due to illness percentage to the group's best practice level. At company or division level, the aim is to reduce absence due to illness by 30 per cent.



### Case: Health and safety prize for “Project Slash”

Tulip Ltd's factory in Bugle in the UK has received the National Food and Drink Health and Safety Award from the Institution of Occupational Safety and Health (IOSH) for “Project Slash”. The award is given to innovative projects having resulted in practical solutions to health and safety problems within the sector. The project covers initiatives such as better storing of knives, using sharp tools less and the increased use of safety knives. The project has helped to reduce the number of knife injuries at the factory from nineteen injuries in 2012 to three in 2013.

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## Accidents

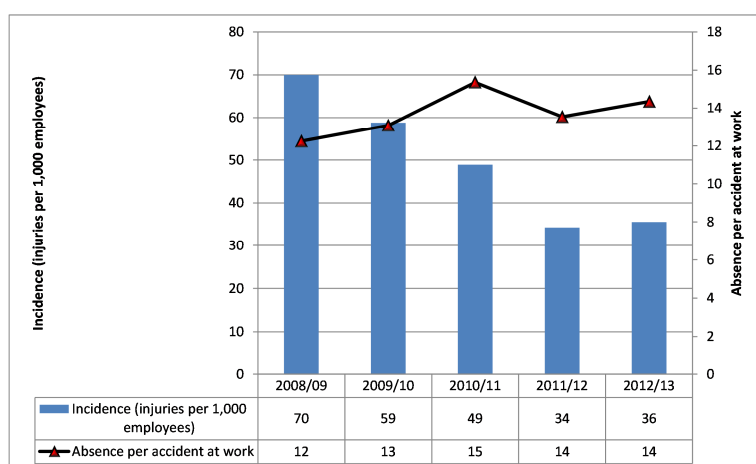
### Definitions

**Incidence (injuries per 1,000 employees):** Incidence expresses the frequency of accidents that result in work-related injuries that are serious enough to result in a whole day off work. Incidence is calculated as:

$$\frac{\text{Number of accidents} * 1000}{\text{Number of employees}}$$

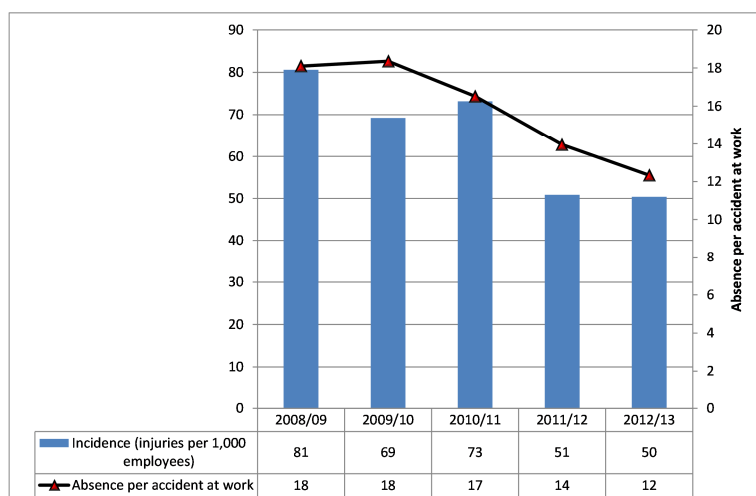
**Absence per accident:** This is an estimated average value where the total absence resulting from work-related accidents at the individual company is divided by the number of work-related accidents. The value indicates the seriousness of the accidents.

### DC Group - Total



Since the 2008/09 financial year, there has been a general reduction in the incidence of work-related accidents throughout the entire group of 49%. The average absence per accident has increased from 12 to 14 days, which indicates that the work-related accidents have not become any less serious.

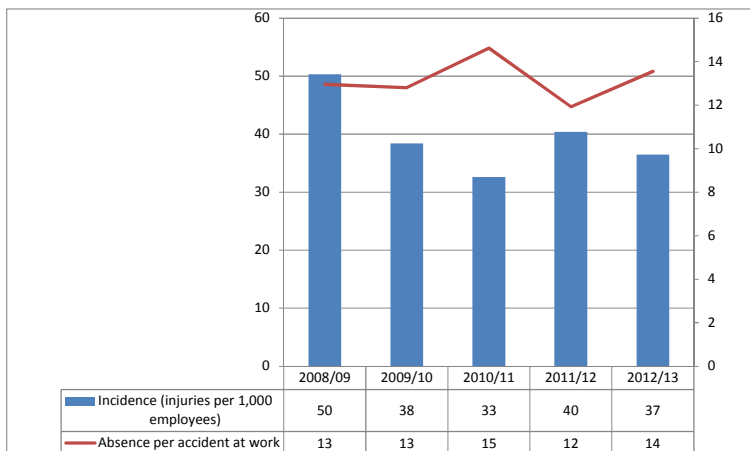
### DC Group – Pig and sow slaughterhouses



The total reduction in the incidence of work-related accidents at the slaughterhouses since 2008/09 is 38%.

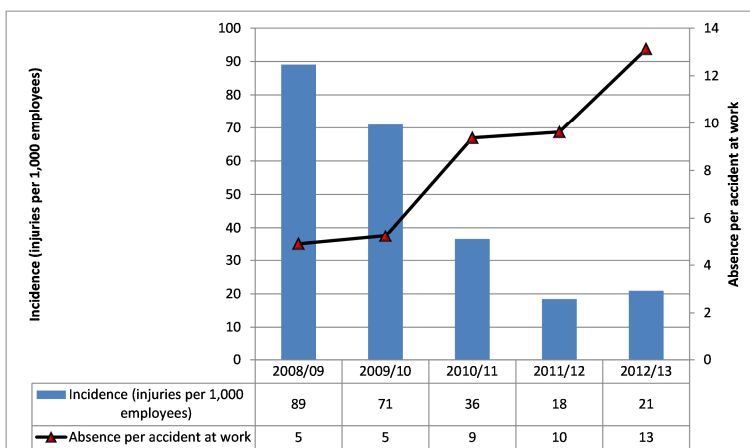
The absence per accident has also been reduced, which indicates that the work-related accidents have become less serious.

#### DC Group – Pork deboning



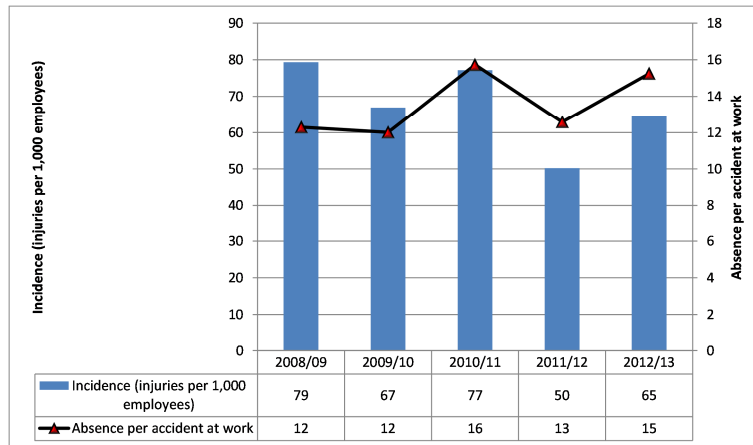
At the deboning and cutting plants, the number of accidents at work has been reduced by 27% (incidence) since 2008/09. The number of lost workdays per accident, however, remains stable, indicating that the seriousness of the accidents at work has not been reduced.

#### DC Group - Processing companies



The number of work-related accidents at the processing companies has been reduced by 77% from 2008/09 to 2012/13. In the same period, the absence per accident has increased from 5 to 13 days, which indicates that it is mainly the number of less serious accidents that has fallen.

## DC Group - Cattle slaughterhouses including deboning



The incidence of work-related accidents at the cattle slaughterhouses has fallen by 19% since 2008/09. The average absence per accident has increased from 12 to 15 days.

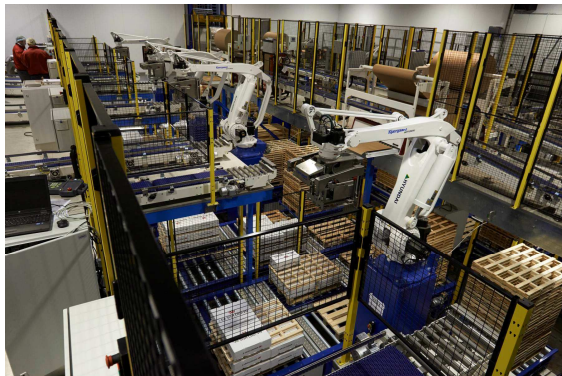
## 7.2 Repetitive strain injury

# Focus on preventing repetitive strain injuries

Danish Crown is continually working to identify and minimise physical strains that can lead to repetitive strain injury. The company is focusing in particular on manual processes that involve lifts and many repetitive movements. We are also working to improve employee health and the possibility of returning to work after an injury or long-term illness. We see healthy exercise and eating habits as a key element in preventing repetitive strain injury. It is for this reason that we are encouraging employees to take responsibility for their own health while offering health initiatives at our workplaces. In addition, we are making the workplaces more ergonomic, providing advice on ergonomic working positions for employees and involving ergonomic assessments when assigning employees to new job functions.

Objectives 2013-2018:

- To minimise the number of daily lifts for employees through introducing new technology, expedient workplace design and correct work instructions.
- To ensure that all work functions are performed as ergonomically as possible.
- To motivate and inspire employees to adopt healthy exercise and eating habits and to ensure health initiatives at all workplaces.



### Case: Robots take the strain

At the Danish slaughterhouse in Sæby, the cold store has been equipped with eight robots for lifting and stacking boxes containing fresh meat onto pallets. The palletising department handles 19,000 boxes a day. Each box represents a heavy lift with a potential risk of injury. Robots therefore spare employees a lot of back-breaking and heavy lifts. Robots lead to higher operating and maintenance costs, but the need for manning is significantly reduced, since the automatic palletising requires only a few people to monitor the process and keep a check on quality and control. We have helped all the affected employees move on. Most either have been given a different job at Danish Crown or have decided to retire.

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## 7.3 Noise and acoustics

# Less noise and better acoustics

Noise is a major challenge at the factories. The increased automation has led to increased noise levels at several locations. The strict food safety and hygiene standards also include requirements relating to the choice of materials for floors, ceilings and walls, which also causes problems with noise and acoustics. We are committed to reducing the total impact of noise and poor acoustics on the individual employee. At the Danish factories, all employees' daily noise exposure levels have been mapped, and action plans have been laid to reduce noise levels. We are continually investing in reducing noise from existing equipment and machinery, but also in the research and development of quieter equipment in collaboration with research institutes and suppliers. In addition, we maintain equipment and limit any unnecessary man-made noise from handling operations.

Objectives 2013-2018:

- To minimise noise levels through the introduction of new technology, the effective maintenance of production equipment and noise-reducing work routines and behaviour.



### Case: Joint efforts reduce behavioural noise

Tulip's MOU factory in Esbjerg, Denmark, has launched a project to reduce behavioural noise. This is noise that can be limited by thinking about what you are doing and showing consideration for your colleagues. The project is being run very systematically and involves everyone at the factory. The sources of noise are continually being registered, and every week a brief report is prepared which lists every registration while describing how the noise can be reduced. Behavioural noise is an item on the agenda at all weekly stand-up meetings in the departments. The health and safety representatives are responsible for day-to-day follow-up and trying to change the attitudes of their colleagues, while the management and the union representatives hold monthly meetings on project progress. **Read more case stories on our website**

## 7.4 Job satisfaction and competencies

# Competencies and well-being developing

A precondition for Danish Crown's business development is committed, quality-conscious and results-oriented employees who meet customer demands and wishes. This requires the continual development of the employees' competencies and constructive cooperation across the organisation. Competence development is also an important element in implementing Danish Crown's policy of ensuring a more equal distribution of men and women at all management levels.

Objectives 2013-2018:

- To ensure the positive development of staff motivation and commitment throughout the entire group.
- To gear the organisation for the future with respect to business succession, to attract and retain competent employees while also increasing diversity in the filling of management positions throughout the group.
- To increase focus on internationalisation while increasing knowledge-sharing and exploiting synergies across companies and national boundaries.

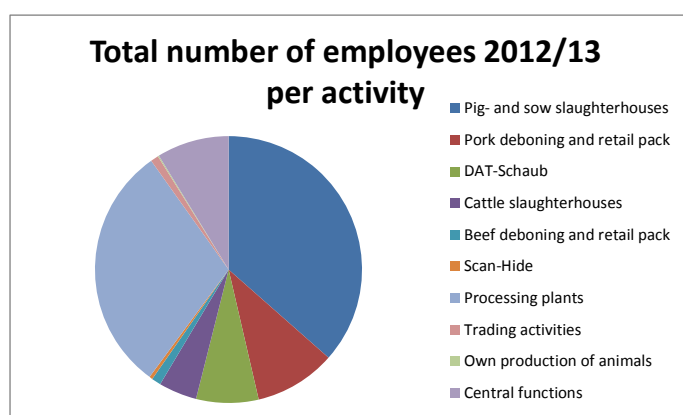


### Case: KLS Ugglarps educates young people

Danish Crown's Swedish company KLS Ugglarps is finding it hard to take on employees with the right skills. The slaughterhouse has therefore launched its own training programme for young people. The training lasts 20 weeks and concludes with an exam. In addition to being trained in the slaughterhouse trade, the young people learn about ergonomics, safety, health and food quality. After passing the exam, they are offered a three-month placement, which can lead to permanent employment with KLS Ugglarps or with other employers in the industry. So far, 33 young people have completed the training programme, and 25 of them have been offered jobs, fifteen of them with KLS Ugglarps. KLS Ugglarps is working with the local young people's network Navigatorcentrum and the Municipality of Trelleborg. KLS Ugglarps has been awarded the Municipality of Trelleborg's "Årets Kraftsamlare" prize for successfully bringing together local resources and reducing unemployment in the municipality.

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## Employees and employee turnover



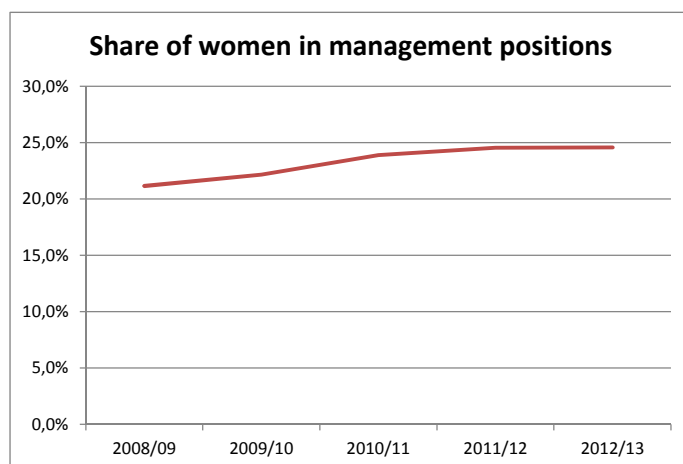
46.4% of the employees in the Danish Crown Group are employed in the pig- and sow slaughterhouses incl. deboning and retail-packaging activities for pork, 30.1% of the employees are employed in the processing plants, and 7.6% are employed in the DAT-Schaub Group.

Please note that for CSR purposes the number of employees are sub-consolidated according to their function and not to legal entities. This means that the number of employees in the CSR sub-groups may be different from the sub-groups in the legal accounts.

	<u>2009/10</u>	<u>2010/11</u>	<u>2011/12</u>	<u>2012/13</u>
Number of employees (average)	23.305	23.557	24.066	23.034
Number of employees leaving the Group	4.522	4.604	4.615	4.374
Number of employees leaving the Group - in %	19,4%	19,5%	19,2%	19,0%

The production and administrative capacity in the DC Group is continuously adjusted. The average number of employees has been reduced during 2012/13 by 1.032 persons, mainly as a consequence of closing of plants in Denmark, among others the pig slaughterhouse in Esbjerg.

## Gender composition of management



	Women in man. <u>positions</u>	Total number af <u>managers</u>	Women in man. <u>in %</u>
Denmark	79	398	19,8%
Sweden	9	50	18,0%
Germany	8	65	12,3%
Poland	86	229	37,4%
England	103	394	26,1%
USA	29	115	25,2%
Others	<u>9</u>	<u>58</u>	<u>15,5%</u>
DC Group	<u>323</u>	<u>1.309</u>	<u>24,6%</u>

There has been a gentle increase in the number of women in management positions over the last five years. App. 55% of the female managers are employed in the central administrative functions, while 17% are employed in the processing plants.

The goal for Danish Crown's units in Denmark is for the proportion of women in senior positions to be 25 per cent by the end of 2016. Efforts to increase the number of women in senior positions will include particular focus on ensuring that there are always both female and male candidates in connection with both internal and external recruitment and that talented female managers are identified on an equal footing with male candidates in connection with succession planning and appointments. In addition, we will ensure a more equal distribution of female and male participants at management development courses both in production and administration and that men and women are considered equally when selecting candidates for further education courses such as MBA programmes.

## 8. Human rights

# Protection of human rights

Danish Crown recognises and protects basic international human rights, including labour rights. We want to ensure that human rights are not violated at Danish Crown companies, and we demand the same of all our business partners.

We will increase efforts to establish due diligence processes that can help us to identify areas where there may be a risk of a negative impact on human rights. Due diligence processes must also support us in preventing and mitigating a negative impact if it occurs, and make sure to correct the situation for those directly involved.

Objectives for the strategy period:

- To incorporate due diligence processes for human rights in existing management systems.
- To explore the possibilities of establishing an appropriate system for handling of grievances.



### Case: Agreement on minimum wages in the German meat industry

The four largest German pig slaughterhouses – Vion, Tönnies, Danish Crown and Westfleisch – have reached agreement on the introduction of a generally binding minimum wage for production workers in the German meat industry. The agreement on a minimum wage must now be negotiated with the German authorities and NNG, the trade union representing many of the German slaughterhouse workers. In addition to a general minimum wage, the four companies will also work to introduce common social standards for contract employees in the German meat industry. The companies are therefore negotiating with the German authorities to introduce a statutory right to check the subcontractors that provide contract labour to the German slaughterhouses, among others.

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## 9. Anti-corruption

# Zero tolerance towards corruption and facilitation payments

Danish Crown operating in several markets, where corruption and facilitation payments can occur. We do not accept either corruption or facilitation payments, even if non-payment can lead to a significant delay or other inconvenience for the company or its employees. We are actively working to prevent facilitation payments, and our policy is being impressed on all employees through regular risk analysis, particularly in regions where facilitation payments are widespread. There have not been any reports of cases of facilitation payments in the 2012/13 financial year.

Objectives 2013-2018:

- To implement a procedure for handling gifts and entertainment in all Danish Crown companies.



### Case: Policies and procedures are communicated to the entire group

In 2012, Tulip Ltd drew up a corruption and bribery policy that includes a procedure for the reporting, approval and registration of gifts and entertainment. The new policy and the procedure were first discussed by the Board of Directors and then with all the factory managements and staff. Subsequently, those employees who are particularly at risk of being exposed to corruption and bribery were informed by email. These included all managers and employees in sales/marketing, purchasing and distribution/logistics. Finally, all employees were informed via notices on the factories' noticeboards and via the intranet. The policy has also been included in the staff manual that all employees have to confirm that they have received and understood with their signature. Once the policy and the procedure had been communicated internally, all the company's suppliers were informed about the new policy.

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## 10. Purchasing

# Dialogue with suppliers

Suppliers of consumables and subsidiary materials that come into direct contact with foods must, as a minimum, comply with the principles of the UN Global Compact, continuously reduce their negative environmental impacts and have a food safety system. Danish Crown is incorporating these requirements in a Framework Agreement (FWA) as and when we conclude new agreements and renegotiate contracts. All future agreements will also require suppliers to comply with the UK Bribery Act. We assess whether our suppliers are complying with the requirements in connection with the annual Supplier Risk Assessments, and we carry out audits of suppliers where, in our view, it is necessary to raise competence levels.

The purpose of the supplier audits is to identify potential focus areas and to inspire suppliers to do more on the CSR front. If the audits reveal significant discrepancies, we demand that suppliers draw up action plans that we will continually follow up on. As part of the dialogue with suppliers, we encourage them to establish their own due diligence processes. This will help to prevent them from having a negative impact on the CSR principles, and to handle such an impact if it occurs.

Objectives 2013-2018:

- To incorporate CSR in all supplier contracts for all companies.
- To carry out an ongoing assessment of the method and scope of the Supplier Risk Assessment, including the dissemination of the method to relevant companies.
- To incorporate environmental requirements in contracts, including contracts for the purchase of new production equipment and the procurement of subsidiary ingredients, packaging and transport services.
- To oblige carriers to provide key figures for CO<sub>2</sub> emissions and to document their efforts to reduce emissions.
- To cooperate with carriers on promoting environmentally friendly transport at all stages.



### Cases: Longer “Christmas trees” (fresh meat trees) result in fewer transport vehicles on the roads

Danish Crown is using “plastic Christmas trees”, i.e. hooks for hanging and transporting meat. The so-called Christmas trees reduce the manual handling of the meat at both Danish Crown’s and the customer’s production facilities while also reducing the amount of packaging used. In 2013, Danish Crown implemented an optimisation process in collaboration with the Christmas tree supplier. The trees were extended, which means that the number of products that can be hung on each Christmas tree has been increased by 14 per cent. Now that we are able to fill external refrigerated transport vehicles more efficiently, we save 65 transports a year. At the same time, plastic consumption for producing our Christmas trees has been reduced by 9 tonnes a year. In 2014, the longer Christmas trees will continue to be rolled out to Danish Crown’s slaughterhouses in Denmark and Germany.

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## Supplier agreements based on framework agreements

	<u>2009/10</u>	<u>2010/11</u>	<u>2011/12</u>	<u>2012/13</u>
Total number of supply contracts above DKK 1 mill. (live animals excl.)	132	145	204	333
Number of supply contracts based on DC Framework Agreement or similar	65	106	179	251
Number of supply contracts based on DC Framework Agreement or similar in %	49%	73%	88%	75%

In the period from 2008/09 to 2012/13, the proportion of supplier agreements based on the Danish Crown group's contracts has increased from 56 per cent to 71 per cent. In the same period, the number of supplier agreements concluded on the terms mentioned increased from 66 to 251. The significant increase is due to sustained focus on using Danish Crown's contract and on improved reporting from the companies in the group.

## Audited suppliers

	<u>2009/10</u>	<u>2010/11</u>	<u>2011/12</u>	<u>2012/13</u>
Number of supply contracts subject to supplier audit	43	69	82	67

It is not a goal in itself to conduct lots of audits but rather to identify the suppliers where auditing is most justified in relation to food safety, product quality, compliance with the UN Global Compact etc. In 2012/13, a total of 67 external suppliers were audited, which is at the same level as the previous three years. In the 2012/13 financial year, Danish Crown has terminated its cooperation with one supplier because the supplier did not upgrade its own action plan as agreed during the audit.

## **Annex - CSR Policy**

# **Danish Crown Group CSR Policy**

This policy was adopted with a view to ensuring that Danish Crown meets internationally recognised principles on Corporate Social Responsibility (CSR).

The CSR policy is founded on the UN Global Compact principles on companies' work regarding human rights, employee rights, environment and anti-corruption. Danish Crown joined the UN Global Compact in 2011.

## **1. Coverage**

This policy covers all activities conducted by group companies globally.

## **2. Definitions**

The Danish Crown group consists of a number of companies throughout the world. By company, reference is made to a legal entity, not a department or branch of a legal entity. In this policy, we are referring to the Danish Crown group comprising companies owned directly or indirectly by Danish Crown A/S in which Danish Crown conducts a controlling interest. In this connection, controlling interest refers to the group exerting full right of disposal of the company via ownership or shareholders' agreement. With regards to the companies over which Danish Crown does not have full right of disposal, influence is performed to the widest extent possible.

## **3. Human Rights and Employee Rights**

Danish Crown respects basic international human rights as appears from the UN Human Rights declaration and the ILO conventions on employee rights.

We will:

- Actively work to avoid human rights abuses following our own activities and - should they arise - handle them, including ensuring amendment to the people directly affected.
- Communicate our policy to all our business partners and use our power of influence to ensure that they respect human rights.

In particular, Danish Crown focuses on selected employee rights ensuring that employees work under well-regulated and safe work and employment conditions.

### **Forced Labour**

Danish Crown does not accept the use of forced labour (directly or indirectly) anywhere in the company or the sub-suppliers with which we cooperate. Forced labour is defined as work carried out involuntarily or under threat of punishment such as slavery, human trafficking or work against reduction of debt.

### **Discrimination and Outrages**

Danish Crown will work against any discrimination or persecution of any nature in the work place (including on the basis of religion, race, sex or sexual orientation).

Danish Crown will work against any physical offences in the workplace or any individual being exposed to physical or psychological violence prompted by their work for Danish Crown.

**Private Information**

Danish Crown will ensure that gathering of private information is solely for the purpose of business information and it is stored and treated according to local legislation.

**Child Labour**

Danish Crown will work against the use of child labour. Assessing whether reference to children is made will be based on individual country legislation, however, observing the ILO standards setting a minimum age of 15 years or 14 years in countries that have ratified the ILO convention no. 138.

We will:

- Ensure that no children under the age of 15 are employed in any regular position.
- Ensure that children potentially hired will only work for a few hours daily and the work will not negatively impact individual education obligations of the child or harm the development of the child or its health.
- Ensure that children potentially hired will not be dismissed without the company initiating measures to set right any negative consequences.

**Working Environment and Safety**

All group companies must ensure that all levels of production is planned and organised in a manner that from a safety and health related aspect is orderly. Work in all group companies takes place in consideration of the principles of prevention by controlling the risk at the source where possible.

We will:

- Avoid using machines, equipment or work methods that could constitute danger to our employees when working according to instructions provided by the company.
- Continuously make written evaluations of safety and working environment conditions in the work place.
- Comply with working environment rules applicable at any time as well as prevention and reporting of accidents at work in countries where group companies are located.
- Continuously cooperate with relevant authorities in countries where group companies are located as well as with the employees through already existing collaboration bodies.
- Seek to improve the working environment of the company through cooperation with authorities and employees as well as to reduce the frequency of accidents at work and work related illness.
- Ensure that employees are not exposed to disciplinary punishment resulting from reasonable action made to avoid accidents or injury.

**Salaries and Terms of Employment**

All group companies should ensure that the employees have well-organised salaries and terms of employment.

We will:

- Ensure that all employees as a minimum will receive salaries that are in accordance with national statutory minimum wages in the country where the company is situated.
- Ensure that all employees receive a salary that is determined in consideration of their job function, productivity or other objective criteria regardless of the employee's sex, nationality, ethnicity or association with recognised trade unions.
- At any time, comply with applicable national rules of working hours, resting period, night work and written documentation of terms of employment.

**Trade Unions and Employees' Member Rights**

The group recognises the employees' right to enrol in and being organised by trade unions and enter into collective bargaining. Any organisation representing employee interests are considered trade unions and recognised as such according to national applicable rules.

Allowance being made for national rules, as well as global and local group agreements the group respects the right of recognised trade unions or work councils, on the basis of wishes from the employees, to:

- Represent employees in collective bargaining
- Participate in solving conflicts between company management and employees

Any exercise of employee or trade union rights in accordance with the above can take place without any fear of discrimination or retaliatory measures.

In the event of several recognised trade unions being in a position to represent employees within the same working area in one location the trade unions are under an obligation to coordinate their work thus potential collective bargaining for the same group of employees takes place as one and the same negotiation.

In the event of each recognised trade union, wishing to recruit or inform employees at one of the group companies this should take place according to the following guidelines, which will however subside to potential national rules:

- Trade unions will have access to meetings with employees and distribute recruitment material in a fashion and format that does not affect the normal operation of the company.
- Trade union meetings with employees should be at a time that has been prearranged with company management.
- Trade union meetings should take place during customary breaks or outside normal working hours.
- Trade union recruitment and information activities should take place in consideration of the operation of the company.
- The company recognises the right of the employees to meet trade unions and freely decide whether they wish to join such trade unions.
- Company management may not put forward any irrelevant obstacles to recruitment and information work of the trade union and the trade union or work councils may not influence the daily work negatively.

We will furthermore:

- Not make a point nor make decisions influenced by employee affiliation with a trade union.
- Never attempt to influence employees into being or not being members of a certain union.
- Not interfere with which trade unions or other associations are formed in group work places.
- Ensure that employees are not dismissed on account of their affiliation with a trade union.
- Ensure that a particular trade union is not favoured.

## **4. Environment and Climate**

As a leading food producer Danish Crown recognises our environmental responsibility and we will work towards protection of the environment and climate in connection with the operation of our company and continue the development through systematic efforts and responsible use of the resources employed. Danish Crown's environment policy is based on the legislation in force at any time.

We will:

- Operate our company focusing on minimum use of resources and environmental strain.
- Motivate, train and involve all relevant employees actively in the daily environmental work.
- Use and develop management tools to optimise and document resource consumption, environmental efforts and achievements to ensure continuous environmental improvements. Systems are chosen and optimised based on individual business units' distinct needs.
- Actively relating to the climate impact of our products and work towards minimising the share originating from group activities.

- Influence other parts of the value chain in order to advance the climate consideration in our products.
- Seek to reduce the use of unnecessary packaging material and adjuvants in dialogue with our customers and in consideration of our competitive situation in order to choose the ones that are least detrimental to the environment.
- Actively, through collaboration in organisations, participate in development efforts to reduce the use of items detrimental to the environment that are unavoidable to production.
- Through interest organisations work to harmonise environmental legislation inside the EU and organise the same on a balanced foundation.
- Build an open and constructive dialogue with the public regarding environmental considerations, e.g. in areas relating to neighbours and surroundings of the individual companies.

## 5. Anti-Corruption

Danish Crown will not accept the occurrence of bribery in connection with any business transaction. Bribery designates an action made outside public attention and control with the intention of exerting influence (through bribery, threats, promises or other methods) on civil servants, judges, political participants or business relations in order to obtain improper advantages. Neither does Danish Crown accept the use of facilitation payments although these may be of minor symbolic amounts paid to advance the process of otherwise legal transactions.

We will:

- Ensure that on employment everyone will be familiarised with the anti-corruption policy.
- Immediate dismiss or initiate other sanctions against an employee/manager, who uses bribery or facilitation payments.