



Kohberg Bakery Group A/S

UN GLOBAL COMPACT

May 2010

COMMUNICATION ON PROGRESS (COP)



REPORT NO. 001





Kohberg Bakery Group A/S

Statement from our Chief Executive Officer (CEO)

Support of UN Global Compact

During 2009 we at Kohberg Bakery Group has increased our focus on CSR and as part of this the principles in the UN Global Compact.

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

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

We have both as speakers in CSR meetings and through a national TV program placed our position as the number one bread company in Denmark with focus on CSR and the principles in the UN Global Compact.

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

Kohberg Bakery Group A/S

Jan Gerber
CEO





Kohberg Bakery Group A/S

Corporate Social Responsibility

Kohberg Bakery Group is a manufacturer and supplier of bread and bakery products from rye bread to wheat bread and from Danish pastries to biscuits. Started in 1969 by Alfred Kohberg, the Fogtmann family took over the, at that time, relatively small company in 1989 and has since expanded the company into its present size with a revenue of just under 1 billion DKK. With headquarters located in the small town of Bolderslev in the southern part of Jutland, Denmark, Kohberg produces their products in a 37,000 m² large, roofed production bakery. Two other production locations exist today in two other Danish towns, Taastrup and Haderslev. Together, these three bakeries produce over 10 million bags of bread, when only counting the sales for retailer shops. Besides servicing retailer shops, Kohberg also delivers to private companies and events. Being the biggest, Danish-owned bakery, Kohberg employs around 500 employees.

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

People, Health and Environment

	Target	Achievement 2009
People & health	Use min 1% of our EBT result per year.	We used 2,3 % of our EBT result on people and health projects.
Environment	Reduce our CO ₂ by 20 % per kilogram finished product produced before 2020.	Plan is in process.

EBT = Earnings Before Tax.

Business relevance (risk) of principles in the UN Global Compact

In reviewing the risk / impact, we classify the 10 principles in the UN Global Compact in low (green), medium (yellow) and high (red) risk / impact. This can be seen in the following figure 1.



Kohberg Bakery Group A/S

Figure 1: Risk / Impact assessment of the principles in the UN Global Compact.

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

All the 10 principles in the UN Global Compact are controlled through our Code of Conduct. The principles within 'Human rights', 'Labour rights' and 'Anti-corruption' were assessed as low risk / impact based on the fact, that they are covered by our Code of Conduct as well as the legislation in low risk countries. These principles have for the same reasons not been the primary focus for improvements. Kohberg does however support people and health projects with minimum 1 % of our EBT result per year.

'Human rights', 'Labour rights' and 'Anti-corruption' are very important areas for Kohberg, but our main business focus has been on principles in the UN Global Compact assessed as medium and high risk / impact (yellow and red). We have chosen to focus on medium and high risk / impact principles as they possess the largest potential for improvements. See the following sections for details. This Communication on Progress (COP) will therefore focus on our environmental activities, targets / strategy and the achievements of our goals.

Our main environmental target is to decrease CO₂ emission by 20 % per kilogram finished product produced by 2020 based on the level of CO₂ emission in 2009. This target covers not only the CO₂ emissions from our main production bakery in Bolderslev, but includes emissions from our 3 bakeries in Bolderslev, Haderslev and Taastrup as well as our own cold store in Haderslev and depot in Aarhus. In extension of the target of reducing CO₂ emissions two sub-targets have been established. Firstly we should as a minimum ensure



Kohberg Bakery Group A/S

50 % one truck stop at customer sites for all fresh bread in Denmark (co-distribution) by 2013 and secondly 100 % of our flour should be without glyphosate and straw shortening. No further targets have been set for the 7 principles assessed as low risk / impact, except the already mentioned 1 % of our EBT result per year for people and health purposes.



Kohberg Bakery Group A/S

Principle 7, 8, 9

Environment

We work actively with the 3 principles in the 'Environment' area. This includes our Code of Conduct where all our suppliers have agreed on the terms within, including the environmental requirements. These are the following:

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

Actions

In the following we will account for the actions established in 2009 to archive our main environmental target of reducing our CO₂ per kilogram finished product produced by 20 % before 2020. This will be explained in accordance to the structure of figure 2. The purpose of figure 2 is to illustrate the 3 areas in our supply chain where the actions are established. The actions are simultaneous according to the two sub-targets set in the environmental areas as explained above.

Figure 2: Supply chain areas where actions are established.



1. Sourcing (Raw material)

- **Sub-target 2:** All our flour is certificated and free from glyphosate and straw shortening. This saves the environment and ensures a healthy product for our customers and consumers.



Kohberg Bakery Group A/S

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

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

- We have together with one of the strongest ecological brands in Scandinavian worked on a new healthy ecological bread series. This will be introduced in first half of 2010.
- Local buying where ever it is possible. We still need the Danish government to approve the use of more nitrogen in the cultivation of wheat. If this will be approved we can source all our wheat from Denmark. This saves transportation throughout northern Europe.

2. Production

- We are actively working on projecting a second generation biogas system at our local site in Bolderslev. The projecting process started in 2009. Final decision will be made in 2010.
- Reduction of waste and overproduction. We have in 2009 entered into a huge optimization project which started in 3'rd quarter 2009 with end in 2'nd quarter 2010. Results will be monitored in next progress report.



One of our 3 bakeries in Denmark. The Bolderslev site.



Kohberg Bakery Group A/S

3. Distribution (transportation)

- **Sub-target 1:** One truck stop at customer site for all fresh bread in Denmark. Currently 32 % is distributed as co-distribution where our target is minimum 50 % already by 2013.
- Testing modular transportation on our intercompany transport. Test is running successfully and we continue the test in 2010. If all implemented, we can reduce the CO₂ from transportation by more than 1.100 ton per year. We are awaiting the final approval from the Danish government.
- Continue optimizing our routes and full truckloads. In 2009 we reduced our number of routes on Sjaelland by 4 %, to increase truck load and decrease driven kilometers.

Outcomes

Environment	Indicator	Actual	Targets		
		2009	2010	2013	2020
1) Sourcing	Flour without glyphosate and straw-shortening	100 %	100 %		
2) Production	CO ₂ per kilogram produced bread ¹	0 %			-20 %
3) Distribution	Co-distribution	32 %		50 %	

¹ Measured as the total annually emission of CO₂-equivalent from energy consumption such as electricity from the national grid and natural gas divided by total kilogram finished products. The energy consumption and kilogram finished products includes our 3 bakeries in Bolderslev, Haderslev and Taastrup as well as our own cold store in Haderslev and depot in Soefte.



Kohberg Bakery Group A/S

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

Human rights, labour rights and the fight against corruption

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

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

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