



CSR REPORT 2013

Communication on Progress





Foreword

DLG plays an important part as both a buyer and a supplier of raw materials, crops and feedstuffs in the first link of the food production chain, and DLG is also made up of a number of food companies. Inherent in this role is our responsibility to guarantee food safety, which requires DLG to maintain focus on all links of the value chain.

In DLG, we have adopted a strategy stating that we intend to achieve a turnover of 8 billion euro by 2016. We are already close to our target in our 2013 financial statements with a turnover of 7,9 billion euro. DLG wishes to generate growth through acquisitions and by entering into partnerships in Denmark and abroad within our three principal areas: farm supplies; vitamins and minerals; and service & energy.

As we continue to grow abroad, our corporate social responsibility (CSR) becomes an object of keener focus. The number of suppliers and customers is steadily increasing, and it is important for us to comply with key principles of human rights, labour, the environment and anti-corruption, because we wish to do this as a business and because, in our view, the fact that we are a corporation with almost 8.000 employees means that we have social responsibility.

Our occupational safety and health procedures exemplify an area where there is always room for improvement, despite our enormous efforts and continuous focus. This is evident in our occupational injury statistics where over the past 18 months we have unfortunately witnessed two tragic fatal accidents. This is deeply regrettable and emphasises the importance of having continuous focus on improving our safety procedures across the group. It is essential that we constantly seek to improve and emphasise safety at the workplace to avoid accidents in general and severe accidents in particular.

In 2012, we joined the United Nations Global Compact, which is an international initiative comprising ten principles focused on responsible business operations. As part of the UN Global Compact, DLG works to implement the principles within human rights, labour, the environment and anti-corruption in the group's day-to-day operations. At the same time, DLG undertakes to actively communicate the group's CSR activities and results in an annual Communication on Progress (COP) report.

This is the first COP in which we publish our goals and initiatives in a combined report, at the same time that we describe where we wish to proceed over the next year. That said, DLG's involvement with CSR is nothing new. We have been involved with CSR activities for years. The new aspect of these efforts is that we are now focused on systematising and coordinating these efforts across the group, and this CSR Report is part of these efforts.

In so doing, we have launched a process in which we seek to create a general view of the most significant CSR initiatives within the group and of how we deal with them. This year's focus has been on developing an overarching CSR Policy for the group. The next step is for the individual business areas to work to understand their most significant CSR challenges and to stipulate precise targets for what they wish to achieve in the years ahead.

We are very pleased with the fact that the publishing of this report means that we have launched a more systematic effort to improve DLG's corporate social responsibility.

Lars Sørensen
CFO

Kristian Hundebøll
CEO



About DLG

DLG has around 8,000 employees, 3,000 of whom work in Denmark. Germany is the Group's largest single market. Germany is also biggest in terms of number of employees: There are some 3,800 employees in our German subsidiaries (HaGe Kiel, team AG and Deutsche Vilomix).

Being a Group, DLG has many different parts to play: DLG **supplies** farmers with feed from its own factories, seed grain, fertilizer, agricultural lime, crop protection products and fuel for daily operations. In addition to farm supplies, group activities include seed grain, plant protection products, vegetable products (including fruit and potatoes for catering), the retail trade, telecommunications, pot plant sales, etc.

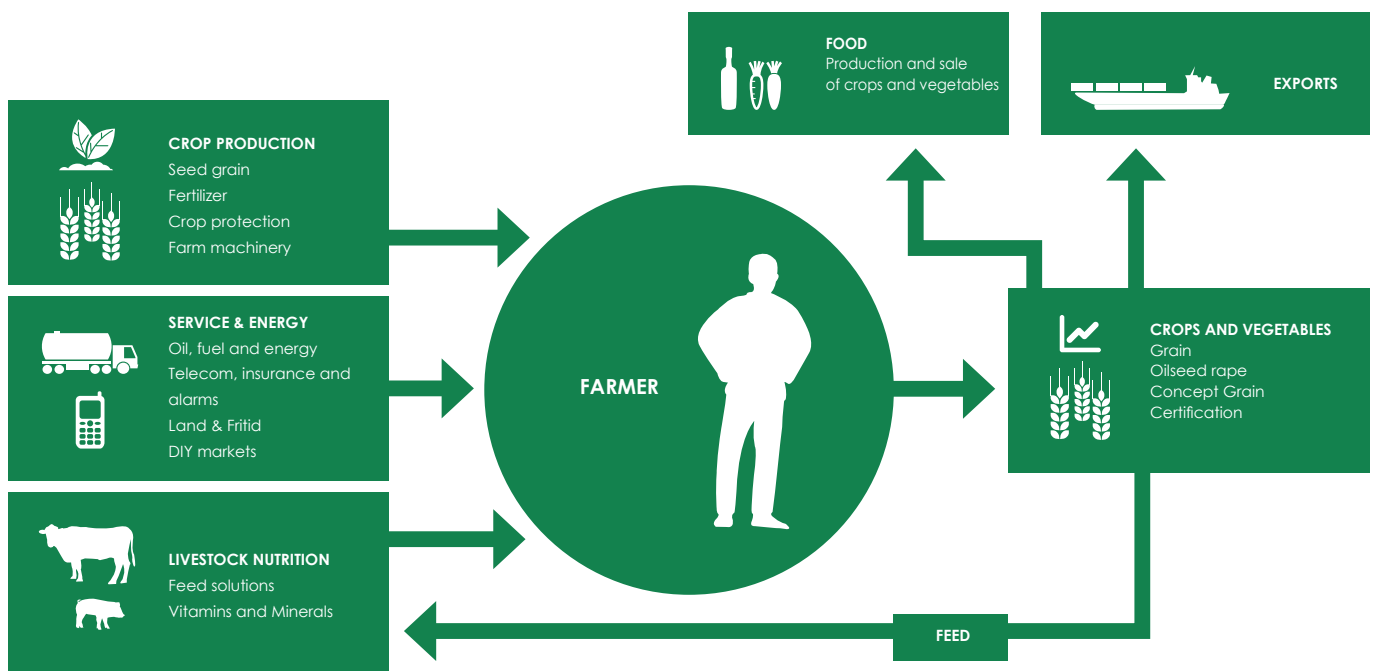
The DLG Group is also one of Europe's biggest **exporters** of malting barley, seed grain, feed, milling grain and oilseed rape. In addition, via its associated companies, DLG is involved in activities like the **processing** of crops and vegetables.

DLG has its own chain of retail outlets – Land & Fritid – where DLG sells and provides advice concerning products in the areas of home & garden, pet products, telecom and much more besides.

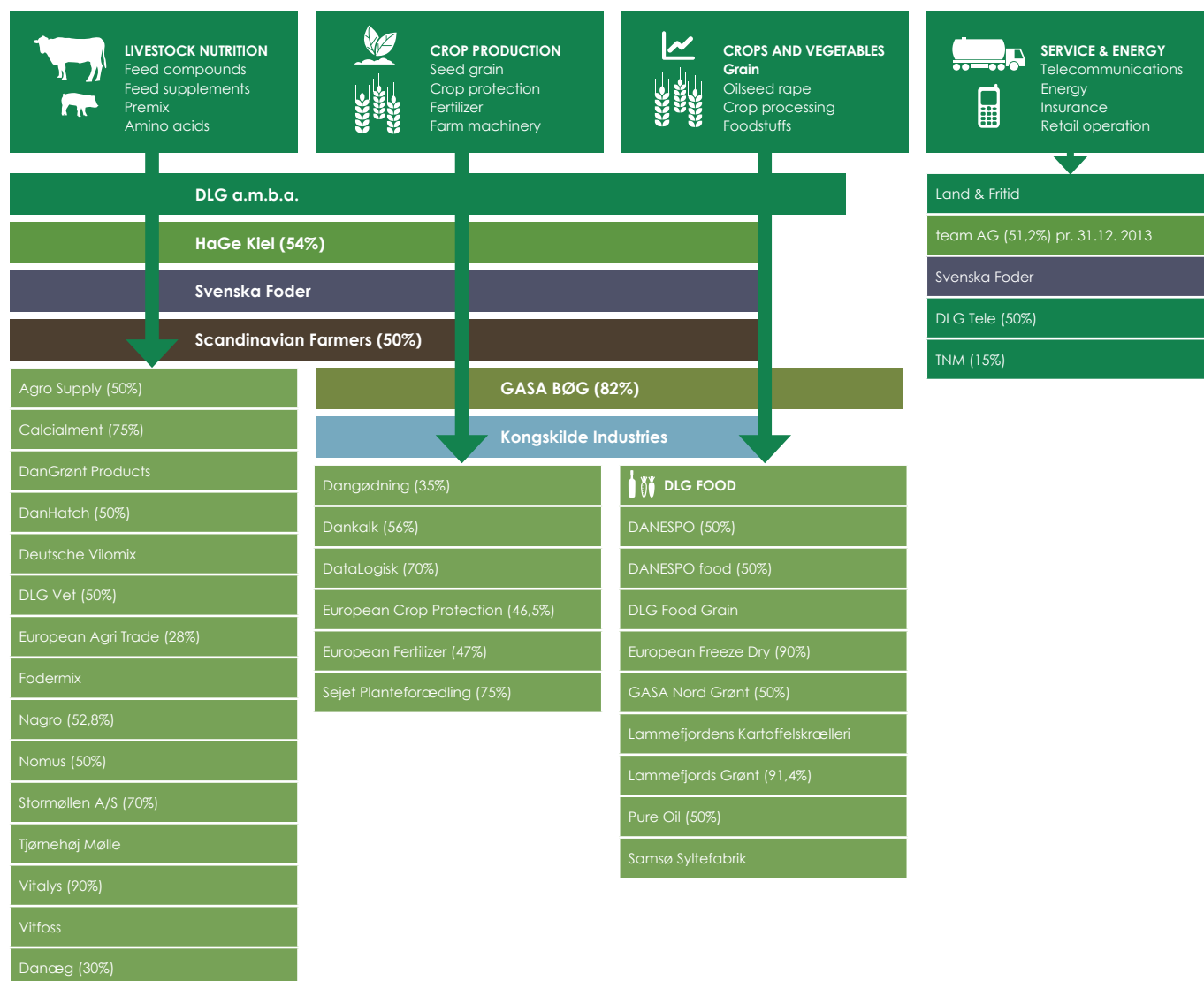
DLG Business Model:

DLG's business flow

DLG services and supplies farmers and buys farmers' crops.



DLG's most important business areas are farm supplies; vitamins and minerals; and service & energy.



DLG is an independent legal entity. The company's name is "Dansk Landbrugs Grovvarerelskab a.m.b.a.". The company is a cooperative society with limited liability (a.m.b.a.) and is domiciled at the Axelborg office building in Copenhagen. The objects of the company are:

- to provide members with farm supplies of the best suitable quality;
- to process and sell the cash crops of the members;
- to assist members with services and auxiliary aids of any kind;
- to work for the benefit of agriculture in general, with a view to securing the best possible production finances for its members by conducting activities in Denmark and abroad.

The table shows an overview of DLG's subsidiaries and associated companies, specifying DLG's ownership percentage in the individual companies.



Our CSR approach

We believe that our CSR efforts provide the best results when we focus on areas that create the most value for our most important stakeholders, customers, owners, employees and suppliers – and for DLG as a business. In other words, our CSR efforts support our business and help us to achieve our strategic goals.

DLG's CSR approach is driven by three fundamental principles:

- The CSR effort must be **strategic**, meaning that our activities must be relevant, take account of stakeholder needs and consolidate our business.
- We must maintain continuous focus on what is the most **significant**. As a result, our CSR efforts must have the greatest impact on our market position and be crucial for our ability to run a profitable business in the long term as well. By contrast, we also recognise that areas in which we exert lesser influence can have a great impact on our business and our stakeholders.
- Therefore, we must always weigh the pros and cons.
- CSR efforts must be consistently planned as part of our **practical** day-to-day operations in respect of the diversity of DLG's business areas.

In this way, we realise that not all CSR topics are equally relevant in the various business areas of the DLG Group, and that our efforts to systematise our work must also accommodate the diversity within the organisation.

For instance, focusing on the volume of energy we use in production processes and to operate our farm-supplies division is crucial because it helps us to reduce costs for the benefit of both the environment and our customers. Similarly, responsible supply chain management is important as we see significant CSR-related challenges inherent in our procurement of raw materials, vitamins and minerals, etc.

DLG supports the United Nations Global Compact

DLG joined the UN Global Compact in 2012. In 2013, DLG focused on setting out an internal framework for a value-creating effort to implement the ten principles of the UN Global Compact. To become more systematic, we launched a CSR strategy process in 2013 which generally enhances the relevance of our CSR efforts. Among other things, this means that we have focused on finding a common intra-group understanding of the importance of CSR and on ensuring a practical approach to the work. The description of the various areas of our CSR efforts can therefore be traced directly back to the four areas of focus stipulated in the UN Global Compact.

Systematic approach and coordination

As part of the process, DLG conducted a large-scale analysis of the CSR area in 2013, based on workshops, internal interviews, an evaluation of existing efforts, etc., to define relevant CSR risks and opportunities and determine the most important CSR areas in relation to the nature and scope of our business.

Based on this analytical effort, three overarching areas of CSR focus have been singled out as the most critical for the group during the strategy period leading up to 2016:

Food safety and quality

Responsible supply chain management

Energy

In 2014, we expect to adopt an overarching consolidated CSR policy based on the three areas of focus listed above.

Integration into the business

In keeping with DLG's three overarching principles – which describe our CSR approach as strategic, significant and practical – it is crucial to closely link our CSR efforts to DLG's overarching business strategy and to stakeholder demands on and expectations of us. Both parts help to ensure that our company creates value in the long term. This should be understood to mean that a more integrated approach to CSR that takes account of external expectations and market requirements for our business could have many commercial advantages. This could be in the form of better risk management, greater product innovation, more highly motivated employees, lower costs and a stronger CSR profile as perceived by our most important stakeholders.

We believe that an integrated CSR approach could also strengthen the rooting of DLG's various business units. Broad embedment is not achievable by a large international group in the short term, however. This is long journey which in some instances also involves new procedures and solutions. Such things take time. Therefore, we are convinced that DLG's CSR efforts comprise an ongoing process that needs to be implemented step by step – not in one fell swoop. But the fact that the management has defined goals and values enables us to begin the communication process

throughout the system so that each business unit can incorporate these values in its part of the DLG Group.

Obviously, these three areas of focus are nothing new in DLG. We are already working in all areas, but our efforts moving forward consist of systematising, documenting and coordinating our efforts across the group. For the time being, CSR efforts are rooted in the DLG Group Management. Going forward, the goal is to embed CSR more broadly across the group. Accordingly, the goal for 2014 is to set up a CSR steering committee made up of representatives from the various areas within the organisation and the business.

Our efforts in 2014 will include the initiation of wider dialogue with our stakeholders concerning the CSR risk scenario as perceived by DLG and which is communicated in this report.

Part of the integration and implementation of the CSR strategy will require ongoing dialogue with stakeholders to find the most practical way to incorporate CSR into our day-to-day group operations. In addition, our CSR efforts must be juxtaposed with customer and market demands to link our efforts to the expectations and demands made on DLG.

The four focus areas in the UN Global Compact

- Businesses should support and respect the protection of internationally proclaimed **human rights**.
- Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining, the elimination of all forms of forced and compulsory **labour**, and the the effective abolition of child labour.
- **Environment** – Businesses undertake initiatives to promote greater environmental responsibility.
- **Anti-Corruption** – Businesses should work against corruption in all its forms including extortion and bribery.



About this report

This is DLG's first CSR report in which we give an account of the group's CSR priorities and present examples of activities and data in this area. With the report, we wish to give our stakeholders a clear idea of the challenges and opportunities identified in relation to the CSR efforts and to show how we are dealing with them.

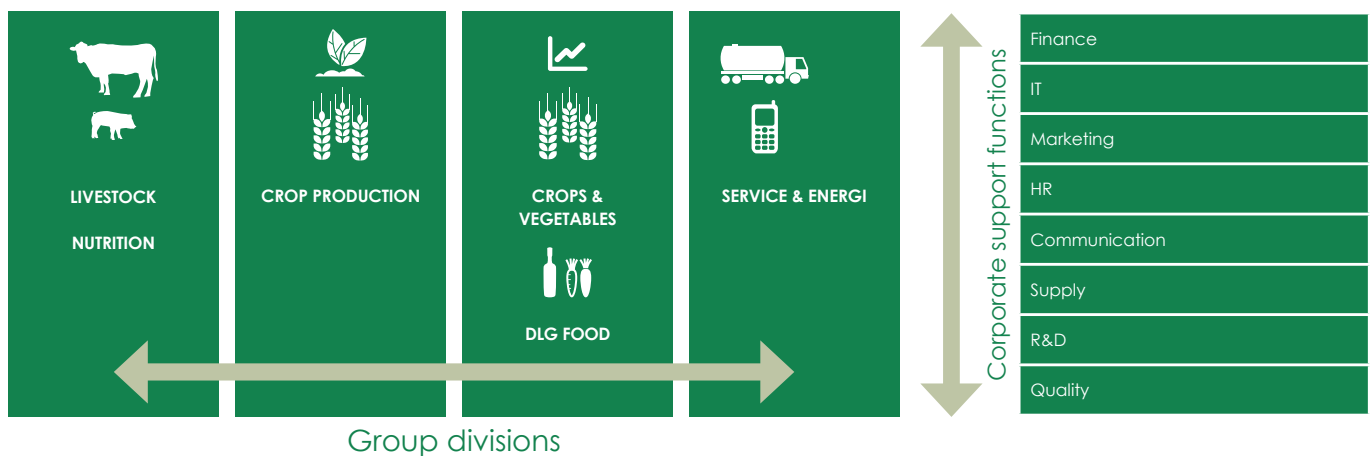
The report describes DLG's most significant CSR activities for 2013. Over the year, DLG got off to a good start with the integration of group-wide CSR efforts aimed at creating a general overview of activities and data for the whole group. We realise that this work takes time, and that this year it will not be possible for us to provide a complete overview of all the challenges pertaining to CSR.

Report structure

The purpose of the report is to provide a true and fair view of the process we have been through and to present the specific steps taken to ensure that we are dealing with CSR-related challenges in ways that enable us to operate a successful business in the future as well. Based on the CSR strategy and the policy efforts initiated, we did not achieve

our goal in 2013 of integrating the CSR efforts across the group, nor did we carry out the practical implementation we are working towards. This takes time in a large group like DLG.

Therefore, DLG's 2013 report does not provide the "complete picture" of all CSR activities and results in the group. On the other hand, the report is structured to highlight a series of efforts in business areas that, in our view, are the most important for the CSR area in question. In the description of our efforts relating to energy, we base our work on energy management and energy optimisation in supply and farm supplies, as this is where DLG's influence is greatest. To illustrate the part of the business from which the example originates, a small figure to mark the business area concerned is inserted in the top corner.



Accordingly, a series of topics that are significant to the business, our stakeholders and our industry are emphasised in the report. The report provides an overarching picture of the three areas of focus (food safety and quality; energy; and responsible supply chain management) which, in our

view, are important for DLG to focus and report on. For this purpose, we have also described DLG's activities in each of the four areas of the UN Global Compact: human rights, labour, the environment and anti-corruption.

Scope of the report

The report covers most of DLG's business, basically all of DLG a.m.b.a., and the subsidiaries in which DLG has controlling interest, defined as companies which DLG owns either directly or indirectly. Associated companies in which DLG does not have controlling interest are not covered by the report.

The companies subject to the particular focus of this report are:

DLG a.m.b.a, including Food Oil
DLG's food companies, i.e. "DLG Food"
DLG Service a/s
The Vilofoss Group
HaGe Kiel
Svenska Foder AB

These specific companies have been selected because they are the biggest subsidiaries and are key to achieving the targets in the 2016 Strategy.

A complete overview of all DLG entities is provided on DLG's website www.dlg.dk/om-os.

The outside world and stakeholders

The 2013 CSR Report was prepared without directly involving external stakeholders. Naturally, we are engaged in on-going dialogue with stakeholders in various forums, but this dialogue does not systematically relate to CSR. Our most important stakeholders are defined as customers, owners, staff members and suppliers. As a company, we experience that the outside world generally and increasingly expects responsibility and integrity to be important aspects of running a successful business. We expect the same things of our own activities. Therefore, we acknowledge and take note of the expectations we encounter, and we wish to accommodate them in the best way possible. The CSR Report is part of rendering these efforts visible.

**Comments or
questions?
Please send them
to dlg@dlg.dk**

This is our first CSR Report and we will continuously work to include more and more entities in our reporting. Our goal in 2014 is to include team AG and Gasa Bøg Group in the CSR Report as well. Team AG is DLG's second-largest company outside Denmark and is a key element of the Service & Energy business area. Gasa Bøg Group is DLG's commercial undertaking for plant and flower products.

Reporting principles

In compiling the report, we were inspired by the overarching, recognised principles of CSR reporting. Among other things, we designed the report to describe and relate to the larger context of sustainability in which we operate, the completeness of the report, materiality and the balance of the report contents. We are aware that we have yet to achieve our goal, particularly in relation to the comparativeness of consolidated group data, which is also a significant aspect of good CSR reporting practices.

In 2014, we will continue working to prepare joint accounting principles for CSR data to be used in the report, including data for energy, staff, supply chain management, etc.



Food safety and quality



edible crops like vegetables and feedstuffs fed to livestock. This involves ensuring top quality throughout the food production chain from farm to fork.

As a supplier and buyer of raw materials, crops and feed for agriculture and the food industry, DLG gives top priority to food safety and high quality. This is crucial for maintaining our position as a responsible producer of food and feed.

Society's keen social focus on food safety and quality requirements imposed on raw materials also mean that regardless of which link in the food chain we are part of, we risk being held liable if something goes wrong. For this reason, we are keenly aware in DLG of our big responsibility and that this field involves enormous financial and reputational risks for any food company that is unable to maintain the requisite levels of quality and food safety.

DLG's most important certifications in the areas of feed, crops and DLG Food

- ISO 22000: international standard for feed and food safety.
- GlobalGAP (Good Agricultural Practice): a quality and certification system for primary producers, in this case primarily raw materials like fruit, vegetables, berries and potatoes for the retail sector and their processing at several DLG food entities.
- BRC standard: British food safety standard. BRC is usually required in the processing industry in markets both in Denmark and abroad. Our B2B customers require this certification, as they typically supply
- Markets and customers operating in the British market and on international markets.
- FSSC22000: a food product standard for the food processing industry.
- GMP+B3: Dutch standard for feed and food safety required by farm-supply customers in Europe for trading with crops and feedstuffs.
- RedCert: documentation standard to certify that crops are sustainable in relation to the production of bio-energy.
- QS (Qualität und Sicherheit): German feed standard.
- ISO 9001: standard for quality management, used in Sweden, in particular.
- FamiQS: quality management system used in the area of vitamin and mineral feed compounds.

Requirement for the certification of the food production process

DLG seeks to comply at all times with current laws and regulations, including in the area of food. Every DLG process must at all times ensure and maintain the highest food safety standards possible.

To safeguard our food safety processes, DLG has adopted an intragroup policy stipulating that all food entities in DLG must be certified to relevant food safety standards. Generally speaking, the certifications must ensure that we, as a company, have a systematic process in place and that we have the requisite control mechanisms; we are also required to work on these aspects on an ongoing basis. As a result, the certifications will help us to maintain that DLG always supplies safe, high-quality food products for the benefit of customers and end users.

Feed production requirements

In relation to managing the quality of our vitamin, mineral and feed compounds used in our food production processes, DLG has a number of similar quality certifications in place. These international certifications focus on ensuring high quality and feed and food safety, and are audited by third parties on an ongoing basis

Food

To support a high level of food safety, DLG's food companies have adopted a food safety policy as part of our quality assurance:

- to produce safe foods that do not harm consumers;
- to produce foods that comply with the law and with current regulations and practices;
- to ensure that production facilities and buildings are presentable and meet current hygiene regulations and requirements and live up to customer expectations;
- to ensure that all companies are certified to a food product standard;
- to ensure that all suppliers are approved according to current risk assessment policy.

Should any situations arise where the foods produced can be associated with a food safety risk – for whatever the reason – all DLG Foods companies have procedures in place for recalling products in accordance with national law and as part of the quality assurance manuals pursuant to the food safety certification schemes on which they base their work.

Results in DLG Food in 2013

A Quality and Food Safety Manager was engaged in 2013 to focus particularly on food safety in DLG Food. The aim is to adopt and implement common policies and to increase knowledge sharing in this area.

FOCUS GOING FORWARD IN 2014

DLG Food focuses particularly on knowledge sharing across food companies, which includes a training course planned to be held for managers in charge of quality and production. The managers will receive training in continuing focus on supply chain management and evaluation of suppliers, complaints processing and new food safety legislation.

Results for feed in 2013

In the feed area, DLG decided to provide financial support to a Danish-led food secretariat (ISO/TC 34/SC17) to ensure the central position of Danish interests in the development of international standards in the area of food safety under the ISO system. DLG has actively contributed to ensuring that the secretariat sets feed production standards under the auspices of ISO, to supplement ISO 22000.

2014 FOCUS

In 2014, DLG will actively take part in drawing up the standard with an expectation that an ISO standard for ensuring food and feed safety in the feed production process will exist in 2015 and no later than in 2016.

Concurrently with this, DLG a.m.b.a. and DLG Food are taking part in the audit process for the ISO 22000 standard to ensure that the contents are updated as much as possible in relation to DLG's business areas and market expectations.

DLG's livestock nutrition unit also takes part in a FEFAC task force on sustainability in feed production processes. The purpose of this task force is to obtain a common European description of sustainability criteria and common minimum requirements for documenting feedstuff sustainability.





Responsible supply chain management

As a food company, DLG wants to be in control of the company's value chain. This involves strengthening the group's management of risks related to having to deal with an increasingly complex international chain of suppliers.

Both in Denmark and abroad, there is intensifying focus on ensuring that companies have a higher degree of control of what takes place in the company's supply chain and in relation to the company's suppliers. DLG has also noted this expectation in its interaction with customers and business partners.

At the same time, responsible supply chain management is a crucial area of focus for DLG because we are increasingly internationalising our business and, as part of this process, we are experiencing a sharp rise in CSR-related risks in terms of our value chain. Therefore, it is also important to manage our risks. Going forward, our responsible supply chain management activities will primarily be based on establishing a general view of the group's many suppliers.

Concurrent with DLG's increasing internationalisation, we see a growing need to implement a more systematic approach to DLG's supplier collaboration. For instance, we purchase a larger share of goods than previously abroad, including in China and the rest of Asia, Eastern Europe and South America, where the challenges in relation to labour rights, environmental impacts and quality assurance may differ from those in Denmark. Our focus on responsible supply chain management is an active way to meet this challenge.

Certifications and supply chain management

DLG Food works with risk-based supplier selection, certified suppliers, self-assessment forms and supplier audits. The intention in the long term is also to use an improved supplier evaluation process.

Purchasing raw materials

DLG a.m.b.a.'s policy for raw-materials purchases is that at least 90% of our suppliers must have a certified quality management system in place to cover the goods purchased by DLG, of which as large a share as possible must be GMP-certified (Good Manufacturing Practice). In 2013, DLG succeeded in buying more than 90% of its raw materials for its Danish production from this type of certified supplier. The percentage of GMP-certified goods was around 75%.

DLG is responsible for buying roughly half of Denmark's soy meal, most of which is used as pig feed. Soy meal is an important feed-production ingredient, comprising 15–20%, and constitutes a large share of DLG's combined production. From 1 January 2013, DLG and a number of other food producers, including Arla, Danish Crown and the Danish Agriculture and Food Council, have undertaken to buy

sustainable soy meal that meets a wide range of production requirements, including requirements on environmental sustainability, child labour and the use of pesticides in the production process. In relation to our purchases of soy meal, we also require suppliers to live up to our charter, which comprises a number of points, one of which is accession

DLG's charter for soy suppliers

- The supplier must accede to the UN Global Compact;
- The supplier does not accept child labour;
- The supplier must uphold employees' freedom of association as regards trade unions;
- Raw materials from areas of rainforest felled after 24 July 2006 will not be accepted;
- The supplier must have a policy stipulating that the use of pesticides complies with local law as well as with the Stockholm and Rotterdam Conventions.

to the United Nations Global Compact. The charter criteria have already been signed by our suppliers for 2014. DLG is a member of the national task force for responsibly produced soy and palm oil set up by the Danish Minister for Food, Agriculture and Fisheries. The purpose of the task force's work is to find common solutions across sectors and industries for acting responsibly in respect of soy and palm oil imports. A declaration of responsibility for soy and palm imports to Denmark must be prepared before 1 March 2014.

As with soy meal, DLG purchases palm oil for use in the production of feed for agriculture. To stay better informed of developments in the palm oil industry in South-east Asia, DLG joined the organisation "Roundtable on Sustainable Palm Oil" (RSPO) in 2012. RSPO gathers interested organisations from different sectors of the palm oil industry to develop and implement global standards for sustainable palm oil. The most important principles on which the certification is based are transparency, labour rights, the use of the best cultivation methods available, environmental protection, protection of the natural environment and long-term financial planning.

DLG is also a member of "Roundtable for Responsible Soy" (RTRS), through the sector organisation FEFAC which organises food companies in Europe. The principles and criteria behind the certification are based on five themes: statutory compliance, responsible labour conditions, responsible relationships with adjacent areas, environmental propriety and good agricultural practices.

Did you know that one-third of all daily commodities contain palm oil?

Palm oil is unavoidable. It is included in many of our daily commodities, such as shampoo, baby food, ice cream, cosmetics, candles, detergents and much more. Palm oil is an ingredient in almost a third of the goods found in the supermarket. DLG uses palm oil as a fat in the production of animal feed. Most of Denmark's palm oil is imported from Malaysia and Indonesia.

Source: RSPO http://www.rspo.org/file/Denmark%20taenk_t134_009-WEB.pdf

The challenges of purchasing soy and palm oil

In recent years, commerce involving soy and palm oil has risen high on the international agenda due to a number of incidents showing how the production of soy and palm oil can harm the environment and human beings.

Media and scientists have presented examples of how the production of soybeans in South America involves great health risks for the local populace where an increasing number of people are affected by various forms of diseases and deformities. In addition, the rainforest is being felled to make room for soybean fields, which harms flora and fauna and negatively affects carbon emission accounts.

Particularly in Asia, valuable rainforest has also been felled and the habitats of endangered animals have been wiped out to plant new palm oil plantations to meet our rising need for palm oil for daily commodities, etc.

Purchases of vitamins and minerals

DLG's vitamin and mineral activities are gathered under the brand Vilofoos. Only raw materials that are approved in the EU are purchased for the production of vitamins and minerals. This means that in this area DLG's suppliers provide a "gatekeeper" function if the ingredient comes from a third country. As part of quality management, we follow this up with control analyses by using the HACCP system in areas where we see the greatest risks.

Hazard Analysis Critical Control Points is a system for ensuring food quality throughout the production chain. The system builds on identifying the microbiological, chemical and physical risks in the raw materials, identifying particularly critical steps of production, processing, and packaging, as well as the subsequent establishment of control points in the production process.

Each of the some 200 raw materials used in vitamins and minerals is approved according to a fixed procedure: the assessment of familiarity with the business, the raw material's product information and nutritive properties, its safety in relation to animals and humans, and whether the raw material is appropriate for use at the factory (e.g. in relation to dust and odours).

FUTURE-ORIENTED FOCUS

In 2014, DLG will focus on further developing our supplier system to improve our ability to mitigate risks.





Energy

A systematic approach to the energy area is important to the business as part of our efforts to reduce DLG's environmental impact. At the same time, a targeted focus on reducing the company's energy consumption can strikingly reduce costs.

DLG is a major player on a highly competitive market, which is why it is crucial for our business to be as resource-efficient as possible. At the same time, it makes sense for DLG to focus on the Group's energy costs, as our production processes are very energy intensive. DLG promotes energy management and energy efficiency across the group, whereas efforts vary within the individual business areas and subsidiaries. The examples below are examples particularly focused on DLG a.m.b.a., HaGe and Svenska Foder, which are the Group's biggest subsidiaries. As part of DLG Supply Group which notably comprises DLG a.m.b.a., HaGe and Svenska Foder, these entities are relevant; also, the entire DLG Supply organisation has implemented relevant energy management systems and launched activities aimed at achieving big energy savings.

Overall, the Group focuses on two areas in which our impact is greatest: production and transport. In 2013, therefore, DLG worked to further boost integration in relation to the actual planning of production and transport, to ensure that production takes place as close to the customer as possible to reduce the consumption of energy associated with both production and transport.

Energy management and certifications

The purpose of DLG's energy policy for the production of farm supplies is to reduce the environmental impact and, at the same time, reduce costs relating to DLG's energy consumption. To contribute to DLG's sustainable development in the best possible way, the group objective is to be innovative in using resources, while minimising wastage at the same time. We do this specifically by improving energy efficiency and by using the best technology possible, always under consideration of official requirements and customer demands on product quality.

DLG's factories under DLG Denmark and HaGe for the production of farm supplies are certified and audited according to the energy management standard ISO 50001, which means, among other things, that DLG has developed an energy policy and set clear energy-efficiency targets and that we are measuring the results on an ongoing basis. Svenska Foder's production facility is similarly certified to the ISO 14001 Environmental Management Standard.

Energy-efficient production

The production of farm supplies is a core area of DLG and requires the infusion of large volumes of energy. Therefore, it makes commercial sense to endeavour to become as energy efficient as possible, as this benefits both the environment and our customers.

DLG's overarching energy targets are to achieve savings of at least 2% p.a. for the consumption of specific energy in the production process. In 2013, we achieved this target in DLG Production in Denmark by, among other things, implementing 28 projects focused on energy efficiency that achieved a combined 2.1% reduction in the consumption of specific energy.

Specifically, energy consumption in 2013 showed a 1.3% reduction in electricity consumption and a 2.2% increase in heat consumption. This equates to a slight increase of 0.2% for 2013, compared to the 2012 energy consumption, which should be seen in relation to the use of the ingredients included in the various types of feed compounds and in relation to the number of feed compounds produced at the factories.

In the area of farm supplies in 2013, DLG focused on streamlining production processes and implementing LEAN at feed factories in Denmark. The aim was to achieve a combined production capacity increase of 15% for all Danish feed factories. The LEAN process is largely based on active knowledge sharing and staff involvement, and regular white-board meetings are a tangible way to follow up on our energy reduction targets. So far, the process has documented a capacity increase of 10% for 2013 and, based on these results, the LEAN process will also be introduced to the rest of the Supply Group in 2014.

The Aarhus feed factory halved the amount of energy used for cooling feed compounds by adjusting the revolutions in the refrigerating units' fans. The energy saved equates to the average annual electricity consumption of 120 households.

Eleven energy-efficiency projects were carried out at HaGe's feed factories in Germany in 2013, for a combined reduction of 560,000 kWh/year. This equates to the annual consumption of electricity of 110 households (comprising two adults and two children).

Most energy reductions were achieved by modifying and adapting production planning and by reducing energy consumption by means of improved energy monitoring. In so doing, HaGe saved a total of 6.4% on its consumption of specific energy.



HaGe's oil mill re-uses heat

HaGe's oil mill saved 198,000 kWh/year, for instance, by using and recycling heat from air compressors. Whenever new electric motors are needed, HaGe purchases highly energy-efficient electric motors, which translates into annual savings of 25,000 kWh.

In 2013, Svenska Foder carried out 17 energy efficiency projects involving the replacement of its current installations with more energy-efficient lighting, air compressors and motors in its production processes. The biggest single investment was the replacement and refurbishment of its factories' pellet presses. Pellet presses are used to press feed into small pellets, the typical form for livestock feed. The replacement and refurbishment of this machine resulted in savings of 20% for the specific pellet milling process. The total specific energy consumed by Svenska Foder shows a 2.5% increase from 2012 to 2013, which is due to increased heat consumption and reduced electricity consumption.

Factories sell district heat and save

At Svenska Foder's factory in Hällekis, Sweden, the company's energy costs have been reduced over several years by replacing the factory's gas-fired boiler with a wood-chip-fired boiler instead.

The factory is located on the outskirts of Hällekis, in Götene Municipality, which purchases "surplus heat" from Svenska Foder to supplement its own heat production. The municipality benefits from this arrangement as, instead of having to invest in its own district heating plant, the municipality can pay Svenska Foder to produce the extra district heating it needs. At the same time, Svenska Foder makes money from the arrangement as the factory receives payment for the wood-chip-fired district heating it produces and at the same time produces enough surplus energy to meet the factory's own energy needs.

The Hällekis factory not only saves money from this arrangement by being self-sufficient, but also earns money by supplying energy to the local community.

Transport and logistics

In the transport area, the Supply Group focused on energy and fuel consumption, as in 2012. In 2012, the Supply Group replaced 42% of its lorry fleet in Denmark with lorries with greater cargo capacity. In 2013, an additional 35% of DLG's fleet were replaced with higher-capacity lorries with additional effects expected in 2014. In collaboration with the group's lorry supplier, DLG's drivers receive measurement equipment, as well as training and individual advice, also aimed at ensuring eco-friendly driving habits. Lorries with this equipment installed achieved savings in 2013 of around 7% per kilometre driven, while conveying about 15% more tonnes of cargo at the same time.

One Touch Only reduces total consumption of resources

In 2013, DLG worked on a new method called One Touch Only, which involves collaborating closely with customers to minimise transports of grain and other agricultural commodities. The aim is to reduce DLG's transport costs, reduce total consumption of resources and generally strengthen the company's competitiveness. The potential savings are enormous, because DLG Denmark conveys a total of nine million tonnes on the roads every year, and is one of top three companies in Denmark in terms of conveyed volumes.

In 2012, the target for grain was to reduce the "transport factor" by 7%, or roughly 200,000 tonnes for 2013. This target was achieved with a reduction of around 300,000 tonnes in 2013. The target defined for 2014 requires the transport factor to be reduced further, equating to 200,000 tonnes.

One Touch Only benefits both the bottom line and the environment. Minimising transport minimises energy consumption and carbon emissions. We need to lower our staff costs during the harvest season, and we experience virtually no wastage.

FUTURE-ORIENTED FOCUS

The expectations for 2014 are that we need to introduce a common target of achieving energy savings of 2% at the Supply Group's feed factories, and we also expect that further streamlining of the production process in continuation of the implementation of LEAN at our German and Swedish feed factories.

In the area of transport, the 2014 target is to maintain the streamlining measures for fuel consumption by replacing the rest of the lorry fleet in DLG Denmark.

Innovation that reduces greenhouse gas emissions

In 2014, Vilofoss will focus on its carbon footprint and will begin to develop a feed product that can help to reduce the production of methane by ruminants.





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Anti-corruption

DLG seeks to comply at all times with legislation, regulations and relevant provisions in the countries in which we operate. This is a prerequisite for DLG's ability to be a responsible player.

Corruption is unacceptable in DLG. It is not part of our way of doing business, and it is our view that our employees must neither use nor accept corruption. This position is emphasised by our accession to the UN Global Compact which encourages businesses to "work against corruption in all its forms, including extortion and bribery".

Future-oriented focus

At present, DLG does not consider corruption to be an area of great risk to our business.

This assumption is based on the fact that DLG presently and primarily operates in Scandinavia and Northern Europe, which are defined by Transparency International as low-risk countries in terms of corruption. Obviously, however, the more international our group becomes, the greater the contact DLG will have with high-risk countries. Therefore, the area of anti-corruption is expected to have growing significance for the group going forward.

In 2014, we will accordingly work to develop a set of guidelines at group level in this area.

Employees and OSH

DLG has almost 8,000 employees, all of whom contribute to our ability to run a successful, efficient company. Creating a healthy occupational environment is a crucial factor in this context. To DLG, this involves both the prevention of occupational injury and illness and at the same time the creation of a social environment which promotes employee job satisfaction and motivation every day.

Work in agriculture and production involves greater risks than many other types of sedentary employment. Therefore, it is crucial for DLG to maintain a safe and healthy occupational environment for our employees at all times. We do this on a continuous basis through prevention activities and information associated with employee safety, working environment and health.

Occupational safety and health

In spite of our efforts, we experienced two tragic deaths at our workplace, one in late 2012 and the other in 2013. One of the deaths involved an occupational accident during the readying of a lorry, and the other involved an occupational accident when the employee concerned entered a shaft after which he was tragically asphyxiated due to a lack of oxygen.

This type of accident should not occur in DLG. These accidents have therefore intensified our already strong focus on creating a safe working environment for our employees. One of our reactions was to strongly impress on our staff that at least two employees must take part in any task where this is required in relation to the risk present. Even if almost all occupational accidents are accidental, all employees must always wear the protective equipment and aids placed at their disposal for the carrying out of any given task. It has been pointed out DLG employees must never carry out a task in which they risk life and limb – regardless of the good intentions behind their actions.

In relation to the specific situations relating to the two unfortunately fatal accidents, we have strongly emphasised the safety procedures for the tasks involved at the white-board meetings regularly held at our factories.

Besides the two deaths, we registered 19 occupational accidents in DLG a.m.b.a. in 2013, which led to 216 days of sickness-related absence. The occupational accidents registered range in severity from a cut finger to a broken shoulder. We are continuously focused on ensuring employee safety and health by preventing accidents and absence, and thus on ensuring employees' physical and social well-being on the job. At the same time, we endeavour to plan work processes so that we promote employee motivation and efficiency in everyday tasks. Our LEAN processes are an example of how we have succeeded in improving working processes and instilled greater motivation at the same time.

Promoting health and exercise

DLG a.m.b.a. is involved in a number of public health

initiatives, all of which revolve around prevention. The initiatives include health insurance and physical check-ups for our employees, a stop-smoking course, fruit schemes, workplace assessments and follow-up, as well as the possibility of being advised by an occupational therapist.

DLG a.m.b.a. also launched the project "DLG on the Move" in 2012, where all hourly-paid workers, primarily males, employed in operations and production processes, were offered 15 minutes of free training during working hours. The project runs over the next three years and is supported by the Fund for Better Working Environment and Labour Retention (Forebyggelsesfonden) in the amount of 740,000 euro. There is particular focus on hourly-paid workers as they often carry out a wide range of physically demanding tasks that can lead to disabilities and other problems. Focusing on motivation and physical activity is therefore a way to reduce wear and increase general job satisfaction. The project's success criteria include reducing employees' sickness-related absence, increasing the daily level of activity and increasing general well-being and job satisfaction.

The status of the project in 2013 is that a training of trainers process has been carried out three times, with participants coming from the entire DLG organisation. Today, around 200 employees are registered with the programme and train either on a daily basis or regularly. The initiative will continue in 2014 with new training provisions in new departments and subsidiaries.

FUTURE-ORIENTED FOCUS

The effort expected in 2014 will be to strengthen the procedures relating to reporting near-miss accidents. This area will be specifically strengthened by implementing a new system to make it easier and more accessible for employees to register near-miss accidents than previously.

Another area of focus for 2014 is to reorganise DLG a.m.b.a.'s OSH organisation to make it more dynamic.

As a result, the OSH organisation will conform to the business structure to a greater extent, which should make it easier to reach all employees.

Diversity

In 2013, the Danish Parliament adopted a law obliging large Danish companies to make an active effort to include more women in their executive circles. DLG is also systematically working to comply with this challenge.

Diversity is an important parameter in a growing, competitive company. It is a matter of attracting and retaining a large pool of talent and having the right skill-sets in place. Therefore, in DLG's view, it is important to increase the number of women in the Committee of Representatives of representatives, board of directors and other managerial levels, and to make diversity an important area of focus in both Denmark

and the rest of the group.

Increase the number of women among the owners and, thus, on the board

Out of DLG a.m.b.a.'s 29,000 owners, 1,224 are women. According to the Danish Agriculture and Food Council, the percentage of women owners roughly corresponds to the percentage of women who are self-employed farmers: 9%. Today, roughly 20% of the students at agricultural schools and qualified farmers are women.

In the future, the number of women farmers is expected to increase which will also increase the recruitment base for the elected bodies of companies in the agricultural and food industries, including DLG. We are obviously aware of this in relation to the target figure.

The company's board of directors totals 11 members, elected from DLG's council of representatives, which has 133 members. Having more women in management and board positions – the executive level of DLG – primarily requires the infusion of a higher percentage of women employees into the company and not least into DLG's council of representatives. At present, the council of representatives has no women members.

2018 target figure for DLG's board of directors

Based on an assessment of the recruitment base, DLG has adopted a target figure of one woman out of nine board members (not including staff representatives).

Elections will be held in 2014 in which each of the six electoral areas will focus on electing at least one woman. It is not expected, however, that one of these elected representatives will be elected to the board already in the same year.

Our goal is to have one woman elected to DLG's board of directors no later than the 2018 election.

Target figure for DLG's management

DLG also adopted in 2013 that at least one member of the group management must be a woman no later than 2018. This target was met already in the last half of 2013, when DLG's first woman group manager, responsible for HR and Communications, joined the group management.

Development of target figures for retail divisions and subsidiaries

The goal in this area for 2014 is that individual target figures need to be prepared for the six retail divisions in Denmark and for the individual subsidiaries. The target figures must be prepared in dialogue and collaboration with the respective local managers to ensure the best possible rooting of these efforts.

Recruitment in DLG

DLG is also widely focused on recruitment procedures. Therefore, statistics are kept concerning the gender breakdown for the hiring of new employees and promotions to

ensure that DLG is moving towards the general goal of having more women in managerial positions. In 2013, we launched a series of supportive initiatives intended to increase the likelihood that more women will assume managerial positions within DLG. These initiatives cover things like our collaboration with CBS Executive concerning a talent programme for women; our focus on recruitment procedures; increased information about managerial opportunities at in-house staff meetings; frequent communication about initiatives in this area in the staff newsletter and on the intranet; and intensified focus on managerial opportunities in annual job appraisal interviews.

DLG completed a talent programme in early 2013 which included a number of women participants. **In 2014, we will interview these women to identify any barriers to management positions.**

In our general efforts with prospective managers, we will focus on processes in 2014 aimed at providing managers with the skill-sets for coping with tomorrow's challenges. We aim to have 50% of the participants in these courses be women.

Efforts going forward

In 2014, all job appraisal interviews will include intensified focus on women in management, so that women employees have to discuss with their immediate supervisor whether they have any wish to become a manager, and whether there are any challenges preventing this, which the employee herself or her supervisor can help to reduce.

It is important to DLG that women in management remains an area of focus and that the topic is continuously in focus, both in Denmark and the rest of the Group. For this reason, DLG will continue to publish articles on this topic in the 2014 issues of DLG's staff newsletters and on the intranet. For the same reason, women in management will be a topic at staff meetings in 2014.

Gender breakdown for all employees and at management level

DLG a.m.b.a. and Service



DLG management (a.m.b.a. and Service)



HaGe



HaGe management



Svenska Foder



Svenska Foder management





Recapitulation of initiatives in the 2014 CSR Report

General

- Stakeholders: wider dialogue with our stakeholders; stakeholder analysis.
- Drafting of common accounting principles for CSR data in the areas of energy, staff and supply chain management.

Food and Feed

- Food: knowledge-sharing across the food companies in focus; training courses for staff responsible for quality and products at the individual companies; training in supply chain management and evaluation of suppliers, etc.
- Development of an ISO standard for feed production as part of the feed-production/ revision of the 22000 standard.

Responsible supply chain management

- Focus on further developing the company's supply chain management system to better mitigate future risks.

Energy/climate

- Further savings on energy consumption, implementation of joint target of 2% at Supply Group feed factories.
- In the area of transport, the 2014 target is to maintain the streamlining measures for fuel consumption by replacing the rest of the lorry fleet in DLG Denmark.
- Climate: reduce the carbon footprint of feed production processes: develop feed which can reduce methane emitted by ruminants.

Anti-corruption

- Anti-corruption guidelines.

Occupational environment

- Strengthen the procedures relating to the reporting of near-miss accidents.
- Reorganise the OSH organisation: make it more dynamic and conform more to the business structure to make it easier to reach all employees.

Diversity

- Women on the board of directors: elections to the council of representatives in May 2014, where women are expected to be elected; the goal is to have one woman elected to DLG's board of directors no later than the 2018 election.
- Women in management: target figures for women in retail departments and subsidiaries need to be drafted; the aim is that half of the participants in DLG's management training processes are women. Focus on women in management in job appraisal interviews, staff meetings and staff newsletters.

The DLG Group is one of the biggest agricultural companies in Europe and is currently owned by 29,000 Danish farmers. In less than a decade, DLG has grown from a co-operative society operating solely in Denmark into an international group of 40 subsidiaries in over 20 countries. DLG now generates most of its turnover abroad.
