

EGMONT

We bring stories to life



UN GLOBAL COMPACT

COMMUNICATION ON PROGRESS 2013 REPORT

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1. EXECUTIVE STATEMENT

Egmont supports the UN Global Compact principles.

Responsible behaviour is essential in being a strong and trusted media group.

The UN Global Compact principles are the formal framework that expresses Egmont's fundamental position and conduct. Egmont adheres to and supports the principles and promotes them towards partners and suppliers.

Egmont committed to the UN Global Compact principles in January 2013. Egmont's responsibility and social engagement dates back to the company's origin in 1878.

Egmont's founder came from humble beginnings and he cared for his employees. In 1920, when the founder had passed away, the company became the Egmont Foundation with a dual purpose of operating the media business and giving back to society.

In 2004 Egmont formalised its code of conduct.

It is a framework for daily business committing Egmont to:

- A standard of excellence in every aspect of business throughout the World
- Ethical and responsible conduct in all operations
- Support, respect and protect the right of all individuals, and
- Respect for the environment.

Further to this Egmont has four defined signature areas, where the CSR contribution aims to be on the forefront:

- PREPS – publisher's database for responsible environmental paper sourcing, an industry initiative started by Egmont
- Safe Internet – especially with focus on children and youth use of Egmont products
- Egmont Social Compliance Programme – focuses on ethical supply chain management and product safety
- Egmont Foundation's charitable activities – with donations to society of 362 million EUR since the beginning.

This report describes Egmont's CSR activities and their progress. The report includes mandatory information according to the Danish Årsregnskabslov §99a regarding climate, human rights and policy on the gender composition of Egmont's management.

Steffen Kragh
President & CEO of Egmont





2. PEOPLE

Since its start in 1878, Egmont has always been a responsible employer – and today Egmont is not only concerned with the human and labour rights of Egmont employees, but also with the rights of the people who work for Egmont suppliers.

The principles 1-6 of the UN GLOBAL COMPACT are principles that Egmont has adhered to for years, and a broad set of Egmont policies cover these areas.

UN GLOBAL COMPACT Principles on People – Human and Labour Rights:

Businesses should

1. Support and respect protection of internationally proclaimed Human Rights
2. Make sure that they are not complicit in Human Rights abuses
3. Uphold the freedom of association and the effective recognition of the right to collective bargaining
4. Support the elimination of all forms of forced and compulsory labour
5. Support the effective abolition of child labour
6. Eliminate discrimination in respect of employment and occupation

2.1. Egmont Code of Conduct and Ethical Supply Chain Management

Egmont strives to ensure that all Egmont products are manufactured in a responsible, safe and ethical manner. In this regard, the Egmont Code of Conduct outlines standards within four main areas, Human Rights, Labour Rights, the Environment and Anti-Corruption, committing all Egmont companies, suppliers and – as a consequence of the recent revenue stream – Egmont's own licensees to:

- A standard of excellence in every aspect of Egmont's business throughout the World
- Ethical and responsible conduct in all operations
- Support, respect and protect the rights of individuals
- Respect for the environment

Egmont Code of Conduct – Policy Highlights:

- **Child labour:** Egmont believes children's fundamental human rights should be protected.
- Egmont and its suppliers will not use child labour. All employees must meet the minimum age for employment as specified by country and Egmont requirements, whereas the Egmont requirement is 15 years of age, whichever is greater
- **Freedom of Employment:** Egmont companies and their suppliers will not use any forced, bonded or involuntary labour
- **Coercion and Harassment:** Egmont companies and their suppliers will treat each employee with dignity and respect, and will not use corporal punishment, threats of violence or other forms of physical, sexual, psychological or verbal harassment or abuse
- **Non-discrimination:** Egmont companies and their suppliers will not discriminate in hiring and employment practices, including salary, benefits, advancement, discipline, termination or retirement, on the basis of race, religion, age, nationality, social or ethnic origin, sexual orientation, gender, political opinion or disability
- **Freedom of Association:** Egmont companies and their suppliers will respect the rights of employees to associate, organise and bargain collectively in a lawful and peaceful manner, without penalty or interference
- **Health and Safety:** Egmont companies and their suppliers will provide employees with a safe and healthy workplace in accordance with all applicable laws and regulations, to prevent accidents and injury to health and ensuring, at a minimum, reasonable access to potable water and sanitary facilities, fire safety, and adequate lighting and ventilation
- **Compensation:** Egmont companies and their suppliers recognise that wages are essential to meeting employees' basic needs. Egmont companies and their suppliers will, at a minimum, comply with all applicable wage and hour laws and regulations, including those relating to minimum wages, overtime, maximum hours, piece rates and other elements of compensation and provide legally mandated benefits
- **Overtime compensation:** In addition to their compensation for contractual hours of work, employees shall be compensated for overtime hours at such premium rate as is legally required in the country of manufacture or, if local laws do not provide for overtime pay, at least regular wages shall be paid for overtime work
- **Hours of work:** Except in extraordinary business circumstances, Egmont companies and suppliers will not require employees to work more than the lesser of (a) 48 hours per week and 12 hours overtime, or (b) the limits on regular and overtime hours allowed by local law or, where local law does not limit the hours of work, the regular work week in such country plus 12 hours overtime. In addition, except in extraordinary business circumstances, employees will be entitled to at least one day off in any seven-day period

In 2005, Egmont established the **Egmont Social Compliance Programme** with the purpose of monitoring 3rd party suppliers' compliance on the basis of the principles of the Code of Conduct.

Egmont expects manufacturers of Egmont products to provide safe and acceptable working environments to their employees – among other ensuring that none of the below documented zero tolerances are present:

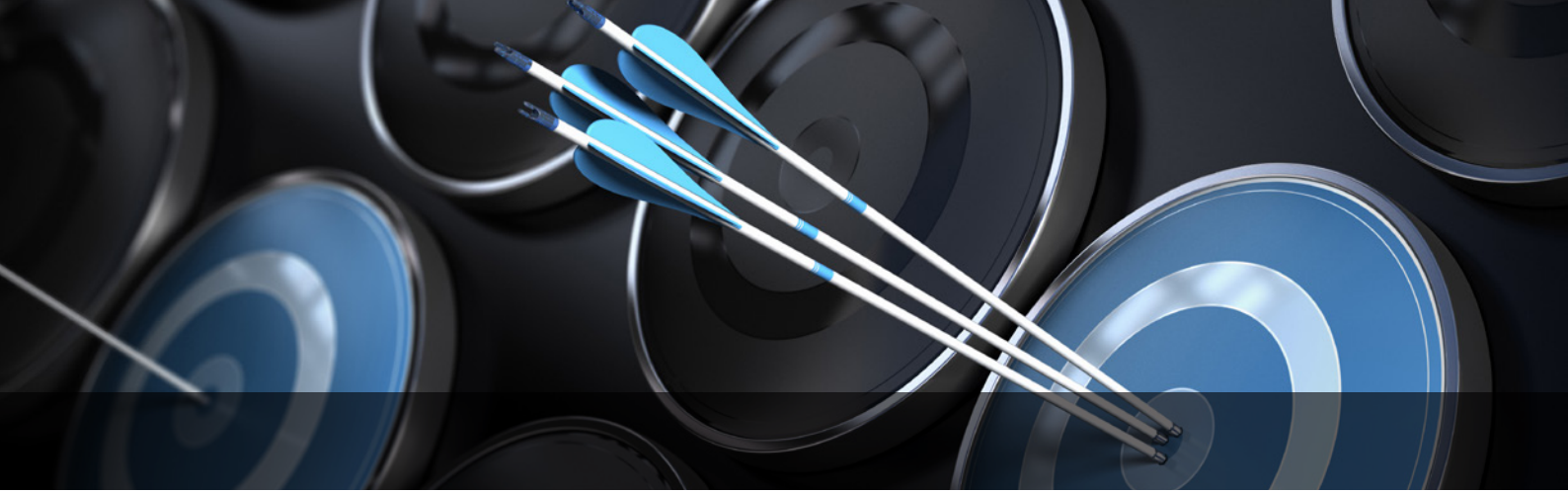
- Non-compliance with local minimum wage regulations
- Forced, compulsory or bonded Labour
- Child Labour
- Risk of losing life or limb

Furthermore, Egmont reserves the right to withdraw production approvals from manufacturers in case overall alarming working conditions are detected. However, Egmont's approach towards supplier compliance is in general critical, yet constructive – and if significant remediation is documented, incl. compliance with the minimum standards (no zero tolerances), Egmont will potentially accept the supplier to be included in the supplier pool based upon a thorough evaluation of the conditions and the compliance level. Further, in these matters Egmont will monitor the supplier closely in order to ensure a high level of commitment and remediation over time.

Audit cycles and focus areas

Concretely, the Egmont Social Compliance Programme manages the compliance level of 3rd party suppliers via social audits conducted at the suppliers, either by accredited auditing companies or by internal Egmont auditors based in Asia. A social audit consists of:

- Walk-through of the facility focusing on the physical working conditions incl. fire safety, chemical safety, electrical safety etc.
- Worker interviews
- Documentation review and cross-check of time records, pay slips, production records etc. Further, review of various certificates and environmental documentation



Audit evaluations constitute the basis for supplier approvals for both new and existing suppliers – and it is a prerequisite that a supplier is approved of by Egmont Social Compliance prior to production start. In general, Egmont considers implementation and compliance with the Code of Conduct a dynamic process pursuing continuous improvement. As such, the audit and remediation process is on-going and never static.

Egmont's supplier pool is global, and the efforts within this area are primarily based upon a country risk evaluation. Focus is on high risk countries, but Egmont does also systematically survey supplier compliance level in medium risk countries. For low risk countries, suppliers are audited on a random basis.

Egmont generally requests audits on the basis of the Egmont Code of Conduct, however, in order to avoid audit fatigue for suppliers, external audits carried out on the basis of certain approved standards are also accepted to confirm compliance with the code. Though, in order to verify the audit results of external parties, Egmont does randomly carry out Egmont audits at suppliers engaged in other social audit programmes.

In 2013, 100 Egmont audits were carried out. Added hereto, approx. 160 audits based upon external standards have been evaluated. If non-compliances are detected during audits, Egmont calls for corrective actions – and continuous improvements documented via audits over time are a requirement for future cooperation.

Challenges and goals for 2014

Egmont's diverse product range and complex business structure calls for a diverse and global supplier pool – currently embracing facilities varying in size from 8 to +15.000 employees and characterized by both short- and long-term relationships.

A specific focus for Egmont is the toy suppliers of the Kids Media division (in late 2013 the division merged with Egmont Magazines to one new division, Egmont Publishing) due to the fact that the majority of these suppliers are small/medium-sized and located in high risk countries.

To address this, Egmont constantly works towards centralising production around fewer suppliers where possible, e.g. by increasing the number of co-productions across Egmont Kids Media entities. For example, Egmont succeeded in co-planning and -buying cover mounts for 29 magazine titles across portfolio and entities in 2013.

With a more focused and stable supplier pool, Egmont experiences a higher degree of leverage towards the suppliers, thereby enhancing the ability to support the implementation of sustainable improvements, while also ensuring increased control in the full production process, incl. product safety – cf. section 2.2.

In 2014, the possibility of conducting supplier training on social compliance will be evaluated and – if deemed necessary – implemented for a number of essential suppliers of small size in order to strengthen the social conditions at these facilities.

2.2. Product Safety/Quality Assurance

Product safety is essential to Egmont, and all products are designed, manufactured and tested according to the highest standards and regulations. Egmont Product Safety procedures ensure that no products go to the market without a positive safety assessment, and if risks are identified in a test report, a re-design of the product in question is made. Especially, products aimed at children – both print products and toys, incl. products distributed together with magazines – are in focus. In 2013, Egmont experienced seven cases

of negative safety assessment results, e.g. due to presence of certain chemicals, such as SCCP or PAHs. Neither of these products was placed on the market, and in 2014 the goal is to further reduce this number via increased cooperation with the suppliers.

During 2013, Egmont received no complaints regarding serious safety incidents. A voluntary product recall was made in UK despite of no reported incidents. The recall was a result of an internal evaluation of a potential risk if this product was used in a non-intended way by siblings. In short, the product consisted among other items of a toy hay stack, which could be turned into a long cord. Even though the product was designed for children of 3 years of age and above, it was assessed likely that the product could be used in play situations with younger children and that strangulation hazards could potentially occur with the long cord.

In 2014, it will continuously be Egmont's goal to have no serious safety incidents or recalls due to safety aspects.

The Egmont product safety requirements, which are a compilation of legal requirements and additional requirements, are defined in a Safety Manual, which is available online to all employees working with product safety. The manual is reviewed and updated twice per year – unless legal requirements are being introduced with immediate effect. Egmont plans to continue this practice in the future.

Compliance with chemical requirements for products incl. toys will remain a major focus area for 2014. In addition, there will be focus on supplier training in order to improve the quality management at specifically Chinese suppliers of cover mounts for kids' magazines. The training will include material management and quality assurance procedures, such as increased testing and inspection during the manufacturing processes.

2.3. Egmont Group Personnel Policy

Since 2004, Egmont has had a common Group Personnel Policy, covering the expectations to one another when employed in Egmont. The policy covers a broad set of areas, and in regards to Egmont's UN Global Compact commitment the policy's standards within these areas are highlighted in the box below:

Egmont Group Personnel Policy – Highlights:

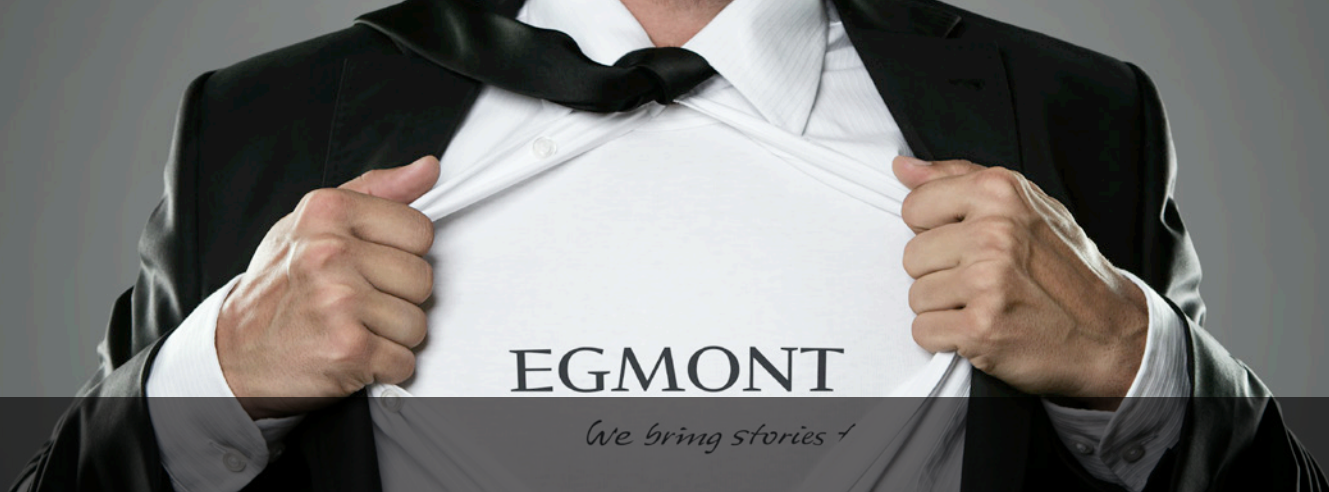
- **Recruitment:** Egmont wishes to employ and appoint employees with the right professional and personal qualifications for the job, irrespective of sex, age, disability, ethnic or religious background. Egmont wishes to promote equal opportunities by giving men and women the same opportunities for promotion to senior positions
- **Training and Development:** At Egmont, it is considered important that employees are qualified in relation to the tasks they must undertake – both in the short and the long term. It is the joint responsibility of the manager and the individual employee to work with the employee's professional and personal development in relation to his or her tasks
- **Performance appraisals:** At Egmont, annual employee development reviews are held between managers and employees. At the reviews, the manager and employee assess together the employee's fulfilment of objectives, performance and collaboration over the past year. During the review, manager and employee will discuss and agree on future work assignments, objectives and success criteria
- **Work environment, Health and Safety:** Egmont believes in creating and maintaining a healthy and safe work environment and safeguarding the health of its employees. The individual companies attend to these matters and organise appropriate working conditions in collaboration with the management, local HR and employees

It is of key importance to Egmont to employ the right people and give them opportunities to grow in their jobs. In 2013, approximately 54% of Egmont's employees are female and approximately 47% of Egmont's managers are women.

Age Distribution in Egmont

Under 26 years	26-35 years	36-45 years	46-55 years	Over 55 years
4%	29%	39%	20%	9%

Egmont does not register data on disability, ethnic or religious background and is therefore not able to report on these factors.



Every year, various principles from Egmont's Group Personnel Policy are measured in Egmont's Group Analysis, a global employee survey. The answers are used to generate in excess of 600 reports, which form the basis for follow-up and improvements in Egmont's companies and departments.

In 2013, 94% of all Egmont employees are "satisfied" or "very satisfied" with their job. Looking at a 10 year perspective, the satisfaction levels in regards to work assignments, ability to balance work and private life, work load, respect, knowledge sharing, performance appraisals and quality of the line manager has increased significantly.

In relation to health and safety, all Egmont companies of course comply with local law, and follow up on a regular basis in terms of possible improvements.

2.4. Egmont Principles of Good Leadership

The Egmont Principles of Good Leadership outline 12 principles that Egmont expects managers to comply with, e.g. in terms of goal setting and performance management, employee qualifications and open dialogue.

Egmont Principles of Good Leadership – Highlights

- **Managing performance:** One of the most important, challenging and rewarding responsibilities of a manager is managing performance. The manager must ensure that all employees have clear goals and work towards fulfilling them. The manager must follow up on goal achievement and give feedback. Good performance must be encouraged and acknowledged; poor performance must be addressed and improved
- **Open and constructive dialogue:** The manager must contribute to the establishment of an environment, where dialogue between manager and employee is conducted openly. This enables the employees to voice their opinion and the manager to explain his/her decisions
- **Delegating tasks and responsibilities:** It is the manager's responsibility to delegate tasks and responsibilities appropriately considering proper use of competencies and potential to reach the department's objectives and develop the qualifications of the employees
- **Communication and information:** It is the manager's job to ensure a high level of information and make sure that all necessary information is passed on, so that the employees can perform their work tasks to the best of their abilities
- **Co-operation and conflict solving:** It is the manager's responsibility to contribute to a strong climate of co-operation through his/her own behaviour and to seek to solve conflicts as quickly as possible, primarily by instigating dialogue between the conflicting parties
- **The manager as role model:** In Egmont all employees with managerial responsibilities are expected to fully understand that they are role models and that therefore, through their own personal behaviour, they represent the company's policy regarding personnel, values and expectations of appropriate managerial behaviour

The 2013 Group Analysis showed that an overwhelming majority of Egmont employees believe that their manager has a very good business understanding and is good at setting ambitious goals, motivating employees and having an open dialogue – and that their manager is a good leader and role model.

To support Egmont managers, Egmont has developed a mandatory training course called "Egmont General Leadership Training". The programme has been running since 2009 and among other measures, it has helped improve leadership quality in Egmont significantly.

2.5. Egmont Policy on Gender Composition in Management

In 2013 the Board of Trustees adopted a policy for the gender composition in management positions in Egmont and agreed on a quantitative target for women on Egmont Boards. The policy is a Group policy, meaning that both policy and targets are applicable to those of Egmont's Danish companies which are included by Danish law.

Facts on Women in Management Positions 2013

- Approximately 54% of all employees in the Egmont Group are women
- Approximately 47% of all Egmont Managers across the entire Group are women
- Looking only at the Danish organisations, women account for 40% of all managers
- The Egmont Board of Trustees has six professionally designated members which are male

Egmont's Policy on Gender Composition in Management

- Egmont does not discriminate based on gender, age and handicap, ethnical or religious background
- Egmont always wants to employ the best qualified person, irrespective of gender
- Egmont aims to have a diverse set of competencies. Diversity is not only a question of gender, but can also be a matter of educational background, functional experience, age, cultural background and much more
- When recruiting or promoting people, Egmont wants to see both male and female candidates

Egmont's Target for the Underrepresented Gender

Egmont has the following target for the underrepresented gender on the Board of Trustees:

- Egmont aims to have one professionally designated female member elected to the Board of Trustees, if she is the best qualified
- According to the Charter of the Egmont Foundation, election to the Board of Trustees takes place by the end of the accounting year in which a member turns 70 years old. The next time for this to happen is in 2014
- After 2014, there will not be any new election until 2021
- Egmont uses external help to identify potential professional members to the Board of Trustees. Head hunters are asked to present both male and female candidates which have relevant experience and competencies for the Egmont Board of Trustees

The target mentioned above is also valid for those of Egmont's Danish companies which are included by law.



3. PLANET

UN GLOBAL COMPACT Principles on Planet:

Businesses should

- 7. Take a precautionary approach to environmental challenges
- 8. Undertake initiatives to promote greater environmental responsibility
- 9. Encourage the development and diffusion of environmental friendly technologies

The Egmont Code of Conduct states that “Egmont companies and suppliers must comply with all applicable environmental laws and regulations”. Hence, this area is part of the auditing that Egmont carries out with 3rd party suppliers.

Depending on the specific requirements of local law in the country of the supplier in question, Egmont verifies among other the following environmental aspects with 3rd party suppliers:

- Drinking water test report
- Waste handling
- Applicable Environment Assessment report
- Quality certificate for chemical warehouse

If non-compliances are detected during a social audit, Egmont calls for remediation. For further details on the auditing process, please see section 2.1.

3.1. Environmental/Climate Policy and Climate Impact

Besides the abovementioned, Egmont does not have a specific environment and/or climate policy. The goal in 2014 is to get such policies in place, setting standards on how Egmont aims to monitor and minimise any environmental and climate footprint caused by Egmont products. Examples of how Egmont businesses work with climate today will follow below.

Climate Impact – Egmont Headquarters

For Egmont’s headquarters in Copenhagen, the legally required EMO report has been processed on the basis of a thorough review of the buildings conducted by an independent energy consultant. The report suggests energy saving measures, and these are taken into account with regard to general maintenance of the buildings as well as in case of modernisation of vacant commercial premises.

On the property Vognmagergade 11, 1148 Copenhagen K, a replacement of climate centrals has been carried out during 2013. Seven electricity air conditions have been replaced with new ones. Due to new technology, it is expected that on a yearly basis Egmont will save approx. 92.000 KWh on electricity as well as approx. 500 MWh on district heating. On the basis of these savings, the estimated decrease in Co₂ emissions is 92 tons.



Climate Impact – Nordisk Film Cinemas in Denmark

In Nordisk Film, an upgrade of ventilation systems has been implemented in 8 out of 17 Danish cinemas in order to optimise energy savings. The new energy efficient ventilation systems have been built in frequency control whereas the old ones were belt driven. The ventilation replacements are expected to create an energy saving of 8-10% (620.730 kWh) of the cinemas' total energy level – equal to a decrease in CO₂ emissions of 296,8 tons. In 2014, Nordisk Film will focus on replacing approx. 4000 incandescent bulbs with LED light sources.

3.2. Sustainable Paper Sourcing – PREPS

Egmont's commitment to principles 7 and 8 of the UN Global Compact is supported by the steps already taken to understand and begin delivering positive change in the supply chain of one of Egmont's core raw materials: Paper used to manufacture books.

About the PREPS Database

In order to investigate and evaluate the forest sources going into Egmont's papers, Egmont UK developed the Egmont Paper Grading System (PREPS) back in 2003. This system grades papers according to a strict set of forestry sustainability criteria of between 1 and 5 stars. The forest source information going into each paper is provided by the manufacturing mills.

The PREPS group currently manages a database containing over 650 individual paper brands.

Paper Grading:

Grade 1: Paper containing unknown or undesirable forest sources

Grade 3: Paper where all the forest sources are known, legal, low risk or either FSC or PEFC accredited

Grade 5: Paper which is FSC or 100% PEFC accredited or 100% post-consumer waste recycled

In 2013, Egmont continued the internal paper brand analysis initiated in 2012. 144 paper brands were identified used by various Egmont companies. From the PREPS database, it was established that 101 were made from either low risk or FSC/PEFC accredited forests, 27 had not been graded under the PREPS system, and 9 contained low graded forest sources, cf. grading definition above.

However, understanding is just the first step. The goal for the coming year is to increase the share of positively graded paper being used, i.e. by investigating alternatives to the low graded papers identified. To achieve this goal, training on sourcing positively graded papers will be extended across the group during 2014.



4. PROFIT

UN GLOBAL COMPACT Principles on Profit:

10. Businesses should work against corruption in all its forms, including extortion and bribery

It is Egmont's policy to conduct business without the use of corruption and bribery. This is Egmont's position towards the issue as well as a legal requirement. Corruption is a criminal offence, and corrupt acts expose Egmont and Egmont's employees to the risk of prosecution, fines and imprisonment while endangering Egmont's reputation. In 2013 Egmont formalised this viewpoint into the Egmont Anti-corruption and bribery policy.

Egmont Policy on Anti-Corruption and Bribery – Highlights:

- **Corruption Definition**

Corruption is the misuse of entrusted power or means, exerted for the gain of oneself or the company. Corruption can take on many forms, including e.g. bribery, embezzlement, blackmail, nepotism or fraud – and all these forms of corruption are unacceptable in relation to this policy.

- **Bribery Definition**

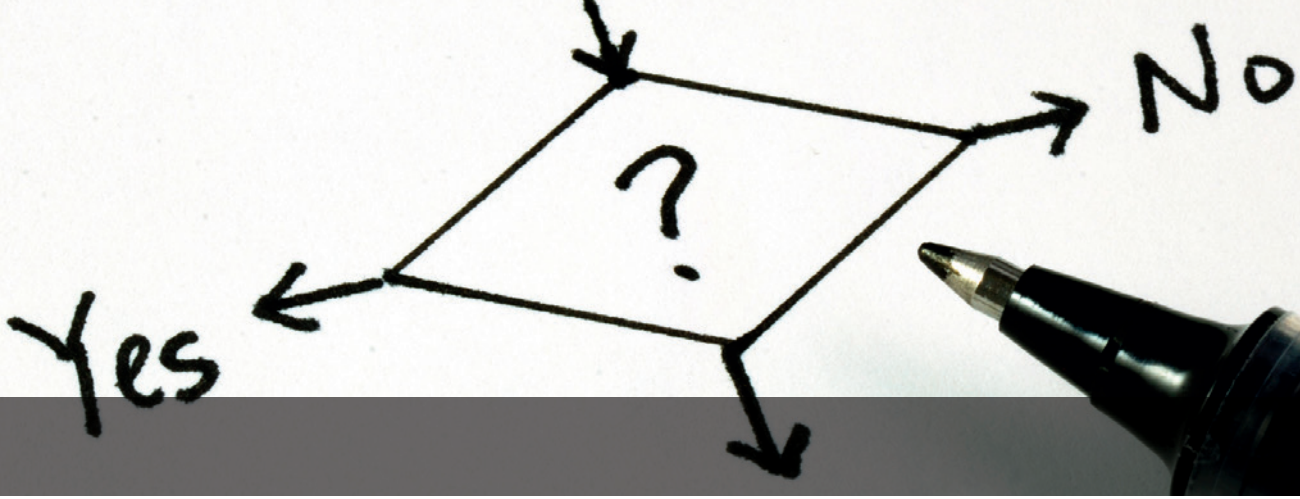
Bribery is offering, giving or receiving something of value (money or gifts) with the purpose for the giver to improperly influence the decision or conduct of the recipient. Bribes can take on many different forms, but typically they involve a 'quid pro quo' – both parties will benefit.

Breach of the policy will be regarded as a serious matter and may result in disciplinary or legal actions, regardless of whether the breach has been done by an employee or by a business partner working on behalf of Egmont.

Egmont Whistleblowing Policy – Highlights:

Egmont is committed to honesty, probity and accountability. In line with this commitment, Egmont expects employees and business partners, who have concerns about Egmont's business, to come forward and voice their concerns. Issues that may be reported under the whistleblowing policy include:

- Unlawful conduct
- Serious health and safety risks, including risks to the public as well as to employees
- Damage to the environment
- The unauthorised use of Egmont funds
- Possible fraud and corruption



4.1. Anti-corruption and bribery Policy

In 2013, Egmont implemented an anti-corruption and bribery policy mandatory for all fully owned Egmont companies. Partly owned companies have been encouraged to implement the policy, which many of them have.

To evaluate Egmont's risk of bribery, a risk analysis has been conducted on country level. The analysis is based on The Corruption Perception Index, showing that Egmont in general has a low to medium risk of bribery.

The anti-corruption and bribery policy has been integrated in the Egmont Code of Conduct; it has been communicated to all major business partners and suppliers and will be part of future contracts.

Further, the anti-corruption and bribery policy has been communicated to Egmont employees and managers through mandatory e-learning, and will be mandatory also for future employees.

4.2. Whistleblowing Policy

As part of the anti-corruption and bribery e-learning, a whistleblowing system was introduced. The system is an encrypted homepage, through which employees and other stakeholders can voice their suspicion about serious misconduct carried out by Egmont employees or managers. The tool has been used three times in 2013, and all cases have been dealt with by the management.



5. CSR ACTIVITIES BEYOND THE UNGC PRINCIPLES

This section describes Egmont CSR activities that go beyond the UN Global Compact principles, i.e. the charitable activities of the Egmont Foundation and Egmont's efforts to secure safe internet for children and youth.

5.1. The Charitable Activities of the Egmont Foundation

The charitable activities of the Egmont Foundation is aimed at children and young people, but places a special focus on the most vulnerable of them.

The vision for the charitable activities is a good life for children and young people. We work for children and young people to build up their capacity and strengthen their potential so that, ultimately, they will be able to create good lives for themselves.

The majority of donations are made in Denmark. However, support is provided in Norway as well in areas where Egmont has specific competences and is able to create synergy between activities in the two countries. In 2014 the aim is to support with 9.6 million EUR.

In 2013, the activities were focused within these areas:

- **Care:** Helping children and young people to cope with life crises
- **Learning:** Strengthening the desire to learn
- **A Helping Hand:** Donations to vulnerable children and young people

For more information, please go to www.egmontfonden.dk

5.2. Safe Internet – Online Child Safety

Continuing the development of a digital product portfolio, Egmont has a responsibility to create products for children that are as safe as possible and to support good online behaviour. To support these goals Egmont launched in December 2012 the Egmont Code of Practice for Internet Safety. This contains a series of principles that must be applied to digital products aimed at Egmont's younger audience.

In 2013 Egmont continued the work on online child safety. The safety measures that were already being implemented in our media companies were investigated, and knowledge gaps were identified. This helped creating detailed guidelines to support the principles in the code of practice. Work has begun on creating an intranet tool to host the guidelines. In 2014 the tool will be completed and implemented with digital managers. Next step is to develop an internal audit system to monitor the implementation of the guidelines.