

UNITED NATIONS GLOBAL COMPACT

KOHBERG BAKERY GROUP A/S



COMMUNICATION ON PROGRESS

REPORT 2014



Statement from our Chief Executive Officer

Support of United Nations Global Compact

During 2014 we at Kohberg Bakery Group have sustained our high focus on corporate social responsibility 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 the ten principles from the UN Global Compact, e.g. through our Code of Conduct. Our board fully supports our actions in working towards corporate social responsibility 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 are in this report happy to announce some positive developments concerning the four areas.

Kohberg Bakery Group A/S

Anders Aagaard Andresen
CFO / CEO



Introduction

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 company in 1989 and has since expanded the company into its present size with revenue of approx. 1.000 million DKK. With headquarters located in the small town of Bolderslev in the southern part of Jutland, Denmark, Kohberg produces its 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 120 million bags of



bread yearly, 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 on average had approx. 560 employees during 2014.

Our Corporate Social Responsibility Programme

At Kohberg, we have built our corporate social responsibility (CSR) programme based on two focus areas, all in accordance with the 10 principles in the UN Global Compact. These are:

1) People and Health

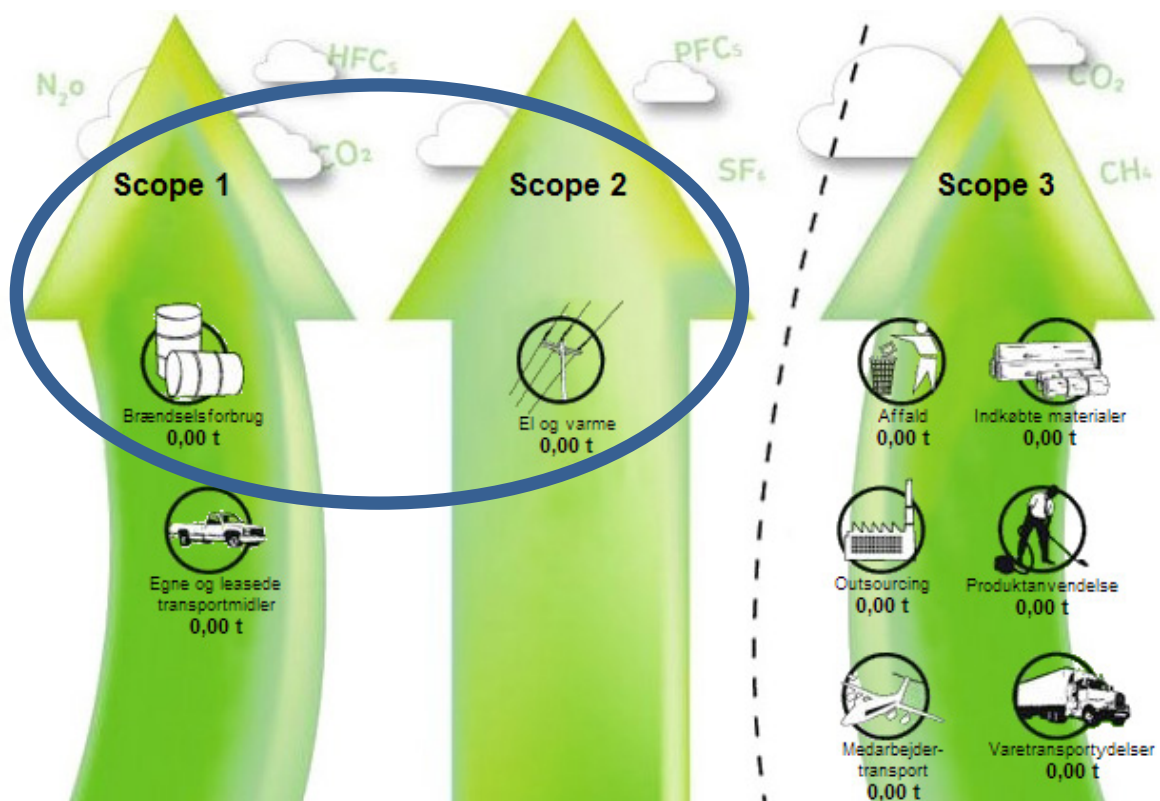
2) Environment and Climate

To understand the causal relationships between our actions taken and the performance outcomes, facilitate learning and promote action as well as ensuring continuous improvements in regard to our CSR programme, it was deemed necessary to define and commit to the people and health as well as environment and climate targets as specified in Table 1.

To ensure a high performance in relation to the people and health focus area, Kohberg has decided to support people and health projects with at least 1 % of our EBT result per year. In the environmental and climate area, we have split the focus into three separate goals for our sourcing, production and distribution practices, respectively. Here, our main environmental target is to decrease emission of greenhouse gasses by 20 % per kg finished product produced before 2020 compared to 2009 as the year of reference. The emissions of greenhouse gasses will be measured as the total annually emission of CO₂-equivalents (CO₂eq) from consumption of fuels (scope 1) and electricity from the national grid (scope 2) for our three bakeries in Bolderslev, Haderslev and Taastrup, respectively, as well as our cold store in Haderslev and depot in Soefte. The scopes included have been defined based on the Greenhouse Gas (GHG) Protocol (2004) as illustrated in Figure 1. By selecting CO₂eq as measure, we correct for the global warming potential (GWP) of other greenhouse gasses on a 100 year time horizon as provided in the fourth assessment report by IPCC (2013).

To reduce the environmental impact from our distribution, we should sustain our goal of having minimum 50 % one truck stops at customer sites for all fresh bread in Denmark (co-distribution). Also, 100 % of flour and other grain-based ingredients used in our bakeries must be from grain grown without glyphosate and straw-shortening. We decided to change the formulation in previous communication on progress to include sourcing of all grain-based ingredients as we are indeed aware that this requirement is not solely for grain products, but all grain-based products sourced.

Figure 1: Illustrated scope for calculation of CO₂eq/kg finished product.



Note that the numbers in the figure doesn't represent actual values, but merely illustrate the scope. The figure is adopted from <http://www.klimakompasset.dk/beregner/>

Table 1: Focus areas, targets and achievements.

Target		Outcomes					
		2009	2010	2011	2012	2013	2014
People & health	People and health: We will use at least 1 % of our EBT ^a result per year on people and health projects.	2.3 % Target achieved	2.5 % Target sustained	22.4 % ^b Target sustained	16.8 % ^b Target sustained	6,0 % Target sustained	14,2 % ^{b+ c} Target sustained
	Sourcing: 100 % of our flour and other grain-based ingredients must be from grain grown without glyphosate and straw-shortening	100 % Target achieved	100 % Target sustained	100 % Target sustained	100 % Target sustained	100 % Target sustained	100 % Target sustained
Environment and Climate	Production: Reduce our total emissions of CO ₂ eq by 20 % per kg finished product produced before 2020 compared to 2009 as reference year.	Target set (reference year)	Reduction of 3.6 % On target	Reduction of 15.9 % On target	Reduction of 26.9 % Target temp. achieved	Reduction of 19.5 % On target	Reduction of 14.4 % ^d On target
	Distribution: Ensure one truck stop for 50 % of all our fresh bread products in Denmark through co-distribution.	32 %	70 % Target achieved	75 % Target sustained	69 % ^e Target sustained	69 % Target sustained	70 % Target sustained

^a EBT = Earnings Before Tax.

^b The high percentage is due to a lower EBT in 2011 and 2014 compared to previous years.

^c Estimated based on the expected financial result for 2014 until the final financial report is approved.

^d Emission factors from year 2013 are applied until emission factors from year 2014 are published.

^e The calculation approach has been updated from this year and forward to a more precise approach, thereby slightly affecting the results in a negative direction as compared to previous years.

Self-Assessment according to the ten principles

Prioritization of efforts

In continuation of the process of working towards CSR targets, a potential and relevance assessment was performed in the end of 2012 and the beginning of 2013 according to the Global Compact Self-Assessment Tool from 2010 developed by the secretariat of the UN Global Compact in collaboration with The Danish Ministry of Economic and Business Affairs, The Confederation of Danish Industry, The Danish Institute for Human Rights – Human Rights and Business Project, and The Danish Industrialisation Fund for Developing Countries and available from the UN Global Compact website¹.

The assessment consisted of answering specific questions related to each area covered by the UN Global Compact, thereby providing a picture of potentials for increasing performance with regard to our CSR programme and relevance in relation to the principles. The results of the potential and relevance assessment are illustrated in Table 2. In Table 2, green indicates a satisfactory level of performance with limited risk and potential for improvement, yellow indicate principles where practices can be enhanced and red indicates the principles where focus should be emphasize for improving our performance.

In the potential and relevance assessment, all subareas within ‘Human rights’, ‘Labour’ and ‘Anti-corruption’ were assessed as ‘satisfactory performance’ based on the fact, that they are covered by both our ‘Code of Conduct’ as well as the legislation in ‘low risk countries’. Although we have committed us to and are actively working with reducing our environmental and climate impacts, and as a result consider our performance as primarily ‘green’ in this area, we still recognize our environmental responsibility and believe this should continue to be one of our main focus area in the future.

It should, however, be noted the self-assessment tool and the information provided by it is only intended as a general guide to the issues covered² and as a result is based on a qualitative assessment with answers from individual persons responsible for the

¹ <http://www.globalcompactselfassessment.org/>

² <http://www.globalcompactselfassessment.org/aboutthistool/termsofuse>

respective areas at Kohberg and thus only provide an indication of the performance. In practice, this means that yellow, or maybe even red, can still indicate a good performance compared to other companies.

Firstly to ensure that Kohberg, as a company, and as an actor in a market, works towards CSR targets, a 'Code of Conduct' have been developed to cover all the ten principles in the UN Global Compact. 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 our suppliers and ourselves, 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 our suppliers and we 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. Kohberg recognizes the importance of 'Human rights', 'Labour rights' and 'Anti-corruption' and will take the necessary precautions to sustain the high performance regarding these principles. For this reason, we have implemented our Code of Conduct as an important element in our company's overall set of values. The values were then converted into a management behaviour and employee behaviour document, respectively, which are discussed with our employees at the annual staff development interviews. Our Code of Conduct is hence an integrated part of our staff development interviews.

Based on the above, no further targets have been defined for the seven principles in these categories, with exception of the 'People and Health' target from our main CSR programme as described in Table 1.



Table 2: Business potential and relevance assessment

TOPIC	STATUS	COMMENTS
HUMAN RIGHTS		
Health and safety		Covered by legislation and our Code of Conduct
Hours, wages and leave		
Fair Treatment		
Community Impacts		
Product stewardship		
Country risk		
Suppliers		
LABOUR		
Trade Unions		Covered by legislation and our Code of Conduct
Forced labour		
Child labour		
Non-discrimination		
Suppliers		
ENVIRONMENT		
Compliance and Management		Focus through our Code of Conduct as well as our sourcing, production and distribution practices
Precaution		
Responsibility and Performance	F/A	
Technology		
ANTI-CORRUPTION		
Anti-corruption environment		Covered by legislation and our Code of Conduct
Policy and procedures		
Third Parties		
Joint Actions		

Human rights, labour rights and the fight against corruption

We work actively with sustaining and improving our performance in relation to the seven principles for human rights, labour rights and the fight against corruption:

Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights

Principle 2: Businesses should make sure they are not complicit in human rights abuses.

Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.

Principle 4: Businesses should uphold the elimination of all forms of forced and compulsory labour.

Principle 5: Businesses should uphold the effective abolition of child labour.

Principle 6: Businesses should uphold the elimination of discrimination in respect of employment and occupation.

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

Progress

We have assessed our performance in accordance with the three main areas specified in the self-assessment tool provided by the UN Global Compact Initiative from 2010. These are:

1) Human rights

2) Labour (rights)

3) Anti-corruption

Although all subareas within 'Human rights', 'Labour' and 'Anti-corruption' were assessed as 'satisfactory performance', as explained previously, the self-assessment tool have indicated a need for working more actively with suppliers to ensure the commitment in relation to the ten principles further upstream our supply chain by considering our suppliers and business partners.

Actions

In the following we will account for the actions taken in 2014 to archive and sustain our people and health target, as specified earlier in the CSR section and Table 1, as well as our commitment to the related principles in the UN Global Compact (principle 1-6 and 10). The main target is to support people and health projects with a minimum of 1 % of our EBT result per year to ensure an even higher responsibility than ensured by our Code of Conduct as well as national legislation in low risk countries as specified in Table 2.

Employee Health and Safety

Kohberg have sustained the employee benefits such as free fruit and the possibility to get massage for a low fee given financial support of the arrangement by Kohberg to reduce physical health problems among employees. Besides the national health insurance, Kohberg are financing a private health insurance for our employees who ensure faster treatment and access to additional types of treatments such as free visits to a psychologist.

Numerous initiatives have been implemented to improve the physical and physiological health of our employees as well as overall safety improvements.

Workplace assessments have also been completed for most of our departments which reflect our interest in further optimizing the physical work conditions. For instance, daily 'whiteboard meetings' are now held for all shifts where the work environment is articulated. This includes a preventive approach focusing on avoiding accidents at work with special emphasis on learning from 'near-miss' or 'close-call' events. The use of 'fit for work certificates' have been expanded in



cases where employees are long-term ill so that they keep in contact with the workspace and colleagues. Also, fall protection gear is now implemented in siloes as well as cooling lanes where the bread is cooled before it is packed. There has also been an increased focus on sickness absence, as an indicator for the well-being of our workers and status of the work environment, by following up on potential problems.

Another initiative has been the focus on movement at work with emphasis on inappropriate movement actions such as inappropriate lifting, pulling and pushing. The initiative was started in 2014 and continues into 2015. For instance, we now have instructions on all terminals on lifting techniques at one of our depots and have raised the height of the heavy products to improve the working posture. Employees at one of the bakeries have also been trained by a work environment consultant in lifting activities. In addition, there have been an increased focus among our leaders on job rotation programmes and implemented job rotation for certain work areas to disperse the physical work load. In addition, the work environment organization has been adjusted to fit the leadership organization, and an election was held regarding the positions as work environment representative.

Initiatives have also been implemented in order to reduce fire risks. For instance, lines have been drawn to clearly visualise escape routes and placement of fire-fighting equipment. In addition, Kohberg have reduced the use of IPA alcohol in liquid form and replaced it with cloth containing IPA alcohol which doesn't require special attention in relation to fire safety. The initiative also ensures that the amount of inflammable liquids is kept under the allowed levels.

Kohberg has also focused on eliminating harassment from the work environment by implementing certain consequences for such inappropriate behaviour. Specifically, this has resulted in cases where employees have been dismissed, e.g. for harassment of colleagues on social media websites. It is our hope that these consequences underline that we don't tolerate harassment in the work environment.

Employee Development

Kohberg has to be ambitious in relation to educating our employees if we are to achieve our strategy and goals. For this reason, Kohberg focus on education of the employees in order to constantly improve the competences of our employees. From spring 2013 and into 2014, 500 employees from our production and supply chain departments participated in a

skill development program in a collaboration between Kohberg, AMU SYD and job centres³. The role of the job centres in the collaboration effort was to ensure that people unemployed at that moment had the opportunity to come in and keep the production running while the regular production employees participated in the skill development program. According to one of the job centre managers, the effort by Kohberg has resulted in Kohberg being one of the Danish pioneers in regard to the large job rotation project that took place as part of the skill



development program. He expressed that the effort was unconditionally to the benefit of the company, employees and the unemployed and support the reintegration of unemployed people into society. Given the amount of employees participating, the skill development program has been characterized as one of the biggest to date in the Danish business community. The skill development program has resulted in a lot of positive attention. For instance, there even was a piece on the local television news about it. The Minister of Employment even visited Kohberg the 5th of March 2014 in order to follow the project which turned out to be a success.

The next educational step, together with AMU SYD, is a two days Lean course, where employees from our production and supply chain departments (almost the same employees as participating in the skill development program) will be educated in Lean. This is another opportunity to improve our employees' skills. The course comprises three stages of where the first was conducted in 2014.

³ <http://kohberg.dk/kontakt/presse/uddannelse-12-november-2013>

During autumn 2014, our foreign employees have attended a Danish course. A course established together with VUC SYD. In practice, VUC SYD placed a trailer at Kohberg's premises where a local teacher from VUC SYD educated our foreign employees with the aim to improve their level of Danish. It is important for our employees to learn Danish and break down language barriers to increase safety and quality, but also due to the fact that Kohberg is a Danish owned company, operating in Denmark. The education material was mostly Kohberg's own material such as the personal handbook, recipes, own standards, etc.. Approx. 50 employees participated and they all passed the final test.

In addition, Kohberg has focused on helping employees with dyslexia during 2014. Approx. 5 employees accepted the offer for further help and education and have attended a course at VUC SYD. At VUC SYD they rented an iPad, which has helped the employees during their daily work.

Supporting the Fight against Breast Cancer

The main support in 2014 was once again given to the annual sponsorship of the campaign 'the fight against breast cancer' by the Danish Cancer Society⁴ and happens through a sponsorship of the campaign in where Kohberg have participated each year since 2008. By participating in the campaign Kohberg supports the research in breast cancer. In 2014, the sponsorship was part of a large Kohberg loyalty campaign which was run from August to October with 32.000 Danish consumers participating. The campaign was considered a success, and resulted in a financial support of ~ 33.000 € for the Danish Cancer Society.

⁴ <http://www.cancer.dk/om+os/The+Danish+Cancer+Society.htm>

Organic Products

There has been a focus on introducing new organic products and creating closer collaboration with our partners regarding organic products. Kohberg are, therefore, happy to report that we have experienced an increased interest in and sales of organic products during 2014. For instance, we have increased our dialog with Økologisk Landsforening⁵ (National Association of Organics, ed.) where we have discussed their 2020-plan to increase the amount purchased of organic food in public kitchens. In addition, we have contributed with professional knowledge to the public end-users. Introduction of some of the new organic products have exceeded our expectations and have increased sales by up to almost 40% in some cases.



The Danish Whole Grain Partnership

Kohberg is continuously introducing new and healthier products to promote healthier consumer choices. In particular, Kohberg has been an active participant in 'the Danish Whole Grain Campaign'⁶ from the start and contributed to the campaign both financially and with resources from our organization. Given that only 30% of Danes eat the amount of whole grain recommended by authorities to ensure good public health, the aim of the campaign is to ensure that Danes eat more whole grain to improve public health. The means of achieving this goal is through establishment of a unique partnership across sectors and disciplines including health- and patient organizations, business, government, retail and trade of which Kohberg represent one of the participants⁷. One of the results

⁵ <http://www.okologi.dk/>

⁶ <http://fuldkorn.dk/english/>

⁷ http://fuldkorn.dk/om_partnerskabet/

from the campaign has been the introduction of the whole grain label (a partnership logo) which guarantees that a product contains a high percentage of whole grain, and also has a healthy nutritional profile in terms of fat, sugar, salt, and fibre.

As an active participant in this campaign, Kohberg has managed to accomplish 5% whole grain in all of our branded products which contributes to ensuring the recommended intake of whole grain by authorities. Furthermore, the majority of our product range is now labelled with the whole grain label, and the majority of new products being launched in the future is also expected to meet the criteria of the whole grain label.



Healthier Food – The Keyhole Initiative

Kohberg is also working actively with increasing the number of products labelled with the 'keyhole symbol'⁸ which is a label that identifies healthier food products within a product group. For instance, in 2013 Kohberg launched a new sub-brand called 'Kernegodt' with all four products in the series labeled with the keyhole symbol, and in 2014, the series was increased by two new products also labeled with the keyhole symbol. In 2014, Kohberg also re-launched its fast food assortment consisting of hotdog breads and burgers, and all products in this series are now



⁸ <http://www.noeglehullet.dk/services/English/forside.htm>

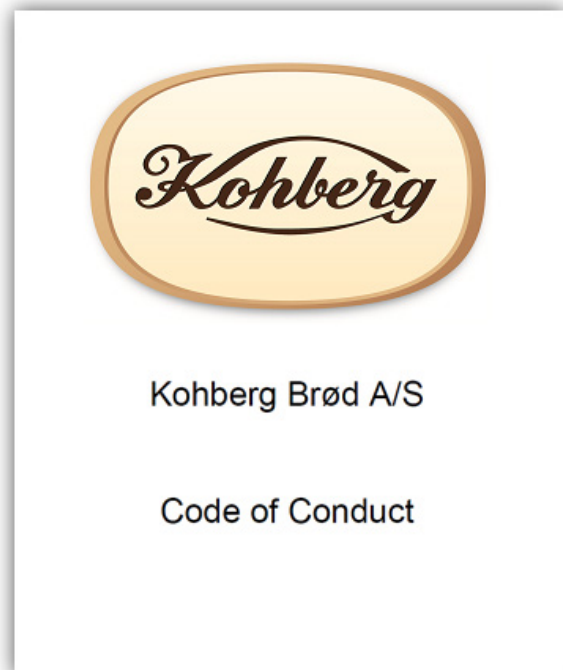
labeled with the keyhole symbol. In fact, all new Kohberg branded products introduced to the retail market in 2014 were labeled with the keyhole symbol and most of them achieved the whole grain label as well.

Supporting the United Nations Global Compact Initiative

As a member of the UN Global Compact since July 2009, we have worked actively at incorporating the ten principles from the UN Global Compact in our company as well as ensuring the commitment in relation to the ten principles further upstream our supply chain. For this reason, we decided to provide financial support to the UN Global Compact initiative. It is our hope that this support allows the foundation to better support the UN Global Compact as it continues to advance a diverse issue portfolio to benefit economies and societies worldwide.

Sourcing

To ensure that our suppliers show responsibility, we have developed and continually update a set of guidelines, a 'Code of Conduct' with which all suppliers must accept and comply. An acceptance of our Code of Conduct is becoming an integrated part of our commercial agreement with our suppliers of raw materials and packaging; today we already ensure this in our supplier approval documentation. Although Kohberg doesn't perform audits to confirm that suppliers are actively living up to these standards, audits can however be performed in cases to



ensure product quality and food safety. The main reason for not auditing suppliers according to the code of conduct is that the majority of the ingredients used in our production are bought from suppliers located in Europe with the largest supplier located in Denmark.

Kohberg have almost no suppliers located in high risk countries and less than 5 % of our purchases of raw materials are coming from outside Europe. 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. In any case, 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.

Roundtable on Sustainable Palm Oil

Ensuring the commitment in relation to the ten principles further upstream our supply chain is especially important and relevant for high risk ingredients used in our production. In our case, this includes the use of palm oil which has been heavily debated recently, as it has been linked to activities resulting in deforestation (DEFRA, 2014). It is important to us to ensure a sustainable supply of palm oil, even though we utilize these ingredients in relatively small amounts. For this reason, Kohberg Bakery Group A/S became an ordinary member of the 'Roundtable on Sustainable Palm Oil' initiative the 4th of December 2012⁹.

⁹ <http://www.rspo.org/members/1904/Kohberg-Bakery-Group-AS>

RSPO

Roundtable on Sustainable Palm Oil

Kohberg doesn't purchase and use palm oil directly in our production. However, some of our ingredients contain palm oil. For this reason, Kohberg have worked actively to minimize the amount of palm oil included in our ingredients since the membership of RSPO. This has primarily happened by substituting the palm oil as part of the ingredients used for producing our rye and white bread products with other ingredients. We have also achieved the segregated (SG) palm oil certificate¹⁰ for two of our bakeries in 2014 which guarantees a high level of traceability (level 4) and a high level of claim (level 4) which we aim to use for the non-substitutable part of the palm oil ingredients. As a result, we are currently working on substituting our use of conventional palm oil with the RSPO certified palm oil.

¹⁰ <http://www.wwf.se/source.php/1544267/RSPO%20SCCS%20factsheet.pdf>

Environment

We work actively with improving our environmental performance in relation to the three principles in the UN Global Compact:

Principle 7: Businesses should support a precautionary approach to environmental challenges.

Principle 8: undertake initiatives to promote greater environmental responsibility.

Principle 9: encourage the development and diffusion of environmentally friendly technologies.



Progress

We have assessed our performance in accordance with the four areas specified in the self-assessment tool provided by the UN Global Compact Initiative from 2010. The areas can be seen in Table 2 and comprise:

1) Compliance and management

2) Precaution

3) Responsibility and performance

4) Technology

Although we are continuously striving to achieve our defined environmental goals in relation to our sourcing, production and distribution practices, respectively, the self-assessment indicated some areas for improvement. For instance, the self-assessment indicated a need for working more actively to integrate the use of a life cycle assessments (LCA), design for sustainability or cradle-to-cradle approach when developing new bakery products. It also highlighted the possibility to expand the environmental targets to include targets for water consumption, wastewater discharges as well as targets for reducing solid waste. Targets that are not currently part of our commitment to the UN Global Compact and Communication of Progress. Kohberg do, however, work actively on improving the environmental performance in these areas by minimizing our generation of wastewater discharges and waste in all forms, and report these figures to the public authorities as part of our mandatory environmental accounting (in Danish 'Grønt Regnskab').



The environmental initiatives and activities have primarily been internally focused, due to the relatively high energy consumption that is required for bread-making (Nordic Ecolabelling, 2013). Our suppliers are, however, taken into account by including environmental criteria as part of our Code of Conduct where all our suppliers are required to comply with and have agreed on the terms within, including environmental criteria.

In accordance with the principles in the UN Global Compact, the environmental criteria included in our Code of Conduct are:

- 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 taken in 2014 to archive and sustain our environment and climate target as specified earlier in relation to our CSR programme (see Table 1). To ensure consistency between our environment and climate target and actions taken, the following actions will be clarified in accordance to the structure of Figure 1. The purpose of Figure 1 is to illustrate the three main areas in our supply chain where actions are taken to improve our environmental performance.



Figure 1: Supply chain focus areas for actions



Sourcing

All our flour is certificated and free from glyphosate and straw shortening remedy and is not grown on fields utilizing sludge from cities. According to the Danish environmental authorities and food authorities, it makes no risk to the environment or human health to use glyphosate on fields. Still Kohberg has chosen to require of our suppliers that rye and wheat are not sprayed with herbicides containing glyphosate. Furthermore, we don't want to expose our customers to the risk of having bread baked with 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. We believe that the policy benefits the environment and ensures a healthy product for our customers and consumers. In any case, the products will comply with the Danish and European legislation.

As part of our purchasing practice, we aim at consolidating our supplier portfolio to create better relations and optimize our logistics processes. This allows for full shipments as much as possible and generally increases the fill rate of trucks thereby saving emissions from transportation. We have sustained our target to use 100 % Danish grown rye, which reduces the requirement for transportation to a minimum from an environmental (CO₂eq) perspective.

Production

As part of our target of reducing our total emissions of CO₂eq by 20 % per kilogram finished product produced before 2020 compared to 2009, Kohberg have focused on decreasing the energy used in the making of the bread. This has resulted in various different actions as will be elaborated in the following.

For instance, we have replaced conventional with LED-lighting technology in various production and storage areas to reduce the amount of electricity used for lighting. In

addition, we have increased the efficiency of our refrigeration equipment by reducing the amount of air in the system. At one of our other bakeries, we have replaced the old refrigeration equipment at one of our bakeries to new and more efficient equipment that better balances the demand for cooling throughout the year. In addition, a stop mechanism has been



implemented so that production of steam, compressed air and ventilation is closed down when the production is stopped for longer periods. We have also tested, with success, a newly installed frequency converter for one of our large motors driving the production equipment. In addition, we have also increased the energy efficiency of one of our baking processes by capturing and reutilizing excess heat (heat recovery). Finally, we have replaced an old gas-based boiler with a new and more efficient gas-based boiler which is estimated to result in a ~ 20% reduction in gas-consumption for that process. Here, we have also implemented two new hot water-tanks. In addition, light sensors are now operating in various departments, including the storage areas and LED-lighting are now used to illuminate all outdoor areas as well as cold storage areas and some regular storage areas. Heating pipes for the administration building have also been re-insulated at this site. Finally, at our cold store, we have implemented a new refrigeration compressor.



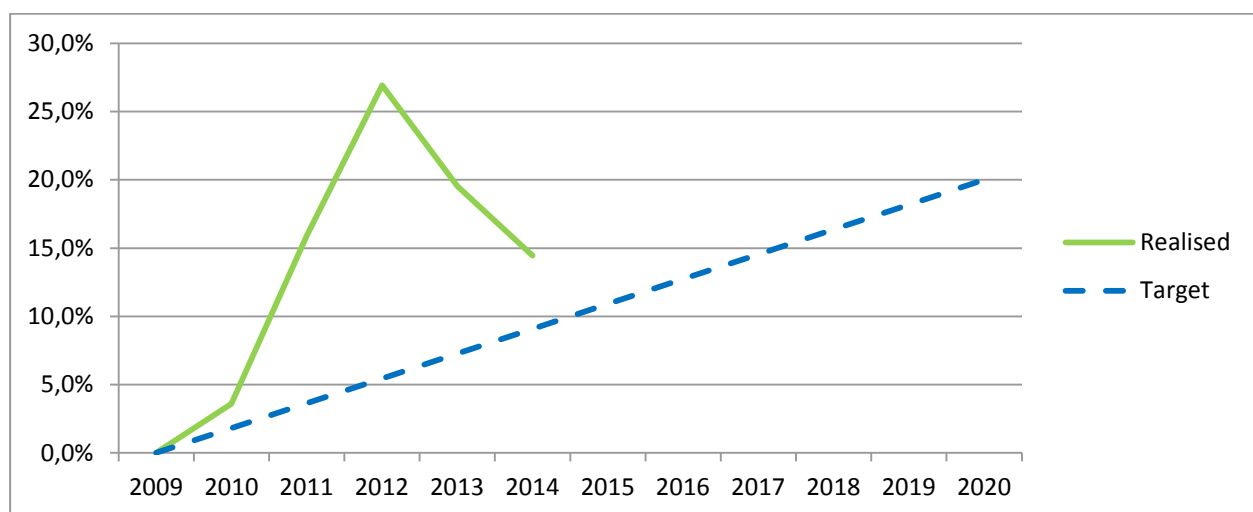
Distribution

We are aware of the environmental consequences associated with transport, logistics and distribution activities. For this reason, we have sustained our focus of having minimum 50 % one truck stops at customer sites for all fresh bread in Denmark (co-distribution) to minimize the amount of transportation needed to distribute our products to our customers. In fact, co-distribution is utilized for a wide range of our customers, where Kohberg handles some and the customers' own distribution depots handle others. This resulted in a higher performance since 2010 than specified in the goal originally set in 2009. In addition, we have worked actively on implementing a new logistics and distribution setup where we, to a higher degree, have the opportunity to optimizing our routing by better balancing the supply of trucks with the demand for transportation of our products to customers. This should help of to further minimize the environmental impact from our transportation, logistics and distribution activities.

Outcomes

In the following we will discuss and follow-up on the outcomes of the actions taken in 2014 to achieve and sustain our environment and climate target, as specified earlier in relation to our CSR programme (see Table 1). From Table 1, it is clear that Kohberg has managed to stay on-target, although we have experienced problems of sustaining our results. This is especially surprising given the many initiatives implemented in this area during 2014. However, part of the explanation is an increased emission factor for electricity used in our bakeries, which is out of our own direct operational control. For an overview of the development towards our target of reducing our total emissions of CO₂eq by 20 % see Figure 2.

Figure 2: Total emissions of CO₂eq relative to kilogram finished product.



The first target, which require purchased ingredients to be without glyphosate and straw-shortening, have been sustained during 2014. In fact, the goal was already achieved in 2009 thereby pointing towards a faster development. The target of reducing our total emissions of CO₂eq by 20 % per kilogram finished product for all of our three bakeries, cold store and depot collectively compared to 2009 is still on-target during 2014 given that the

average needed annual reduction in total CO₂eq is approx. 2 %-points. The third target, which covers the degree of co-distribution, was achieved in 2010 and has been sustained since. Although the targets have been achieved before originally planned, the target set have not been seen as unambitious by Kohberg. Instead, we consider it as an outcome of a committed work in relation to achieving the targets set.



Much effort have been put into identifying feasible actions and actions taken, as described in the above sections, and have resulted in directly measureable performance outcomes as demonstrated in Table 1. As a result, the current development towards our CSR targets are still considered as 'on target'. With the initiatives and forward-looking focus on the ten principles in the United Nations Global Compact, Kohberg will continue to pursue a sustainable development. This will be undertaken by a continuous identification of additional opportunities in relation to the four areas covered by the UN Global Compact.

We look forward to elaborating on our progress in our next COP accounting for our actions taken during 2015 to implement the ten principles in the United Nations Global Compact.

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