



UNITED NATIONS GLOBAL COMPACT

DANÆG Holding A/S

COMMUNICATION ON PROGRESS
REPORT 2016

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Support of the UN Global Compact

The UN Global Compact is becoming a more and more important factor, and is now expected to be the world's largest corporate sustainability initiative. In total, more than 8.300 companies (by mid December, 2015) have now decided to support the foundation of the UN Global Compact.

More than 10 % of these companies are located in Scandinavia – an impressive number for a rather small part of the world.

It is also very positive to see that within the food and beverage industry, a huge number of large Scandinavian companies have decided to work actively with the 10 principles of the UN Global Compact. Within the category of eggs, the Danæg Group is so far the only participant in Scandinavia, but we hope to see more of our colleagues within the UN Global Compact in the future.

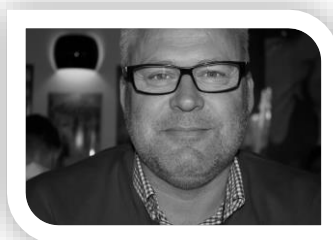
To the Danæg Group year 2015 has proven that a structured and focused approach towards working with corporate social responsibility can create significant and positive results – both for today and as a foundation for the future.

In the Danæg Group working with CSR is a natural and integrated part of doing business. By focusing on a number of internal and external aspects of CSR in our business, we believe that we can contribute to the society, to the environment, to the consumers, etc. in a positive way.

As a member of the UN Global Compact, we believe that our business fully incorporates the ten principles of the UN Global Compact in our everyday operations. Furthermore, we have the full support from our board to bring CSR into focus – particularly regarding the principles of the UN Global Compact.

In our annual report, we will document our year 2015 activities, and highlight those CSR activities in focus for year 2016.

Danæg Holding A/S



Jann Dollerup Vig Jensen, CEO

2. The company – Danæg Holding A/S

Danæg Holding A/S – The Danæg Group:

The company was established in 1895 and is a co-operative in the egg category.

The company is owned by 70 Danish and Swedish egg producers (70%) and by the DLG Group (30%) which is one of the largest agricultural companies in Europe.

We are involved in activities in Denmark and Sweden employing approximately 300 people divided on four different production facilities. The turnover in the Danæg Group is DKK 1.2 billion (EUR 161 million).

Furthermore, The Danæg Group has become part owner of the Finish company, Munax OY in year 2015.

Activities in Denmark and Sweden:

In Denmark, the activities are concentrated around the two production facilities of Danæg Denmark. The first production facility is an egg packaging facility located in Christiansfeld; the second is an egg processing facility producing and selling liquid eggs, boiled eggs, pancakes, etc. This facility is located in Roskilde, close to Copenhagen.

In Sweden, the Danæg Group also has both an egg packaging facility and an egg processing facility; Kronägg AB, located in Perstorp, close to Helsingborg; and Källbergs Industri AB, located in Töreboda, which is highly specialized in producing dried egg products.

The Danæg Group is selling its products to all distribution channels, including retail, food service, catering, industry, etc. The main markets are within Scandinavia but also a large part of the products are sold all around the world. Today, The Danæg Group is exporting to 54 countries.



3. The Danæg Group and the ten principles of the UN Global Compact

Internal assessment according to the ten principles of the UN Global Compact – and future targets.

In 2013, we made an internal analysis of the relationship between our way of doing business today and the ten principles of the UN Global Compact. This assessment has been updated by mid. December, 2015.

The assessment consisted of answering specific related questions for each area covered by the UN Global Compact and thereby providing a picture of potential for increasing our performance with regards to corporate social responsibility.



The updated results of the internal assessment are illustrated in Table 1 along with the improvement targets set in relation to the results.

In Table 1, green indicates a current high performance with limited potential for further improvement; yellow indicates that practices can be enhanced; and red indicates the main practices which could be improved.

It is important to note that the assessment was performed qualitatively according to the potential of increasing performance and not as a specific performance assessment. In practice this means that red can still indicate a good performance compared to other companies.

Table 1: Internal assessment of Danæg and the ten principles of the UN Global Compact – 2015.

| | UN Global Compact principles | Risk/impact | Activity & set-up |
|------------------------|--|---------------|--|
| Human rights | 1. Business should support and respect the protection of internationally proclaimed human rights | Low | Covered by legislation and our management guidelines |
| | 2. Make sure that they are not complicit in human rights abuses | Low | Covered by legislation and our management guidelines |
| Labour rights | 3. Business should uphold the freedom of association and the effective recognition of the right | Low | Covered by legislation and our management guidelines |
| | 4. Elimination of all forms of forced and compulsory labour | Low | Covered by legislation and our management guidelines |
| | 5. Effective abolition of child labour | Low | Covered by legislation and our management guidelines |
| | 6. and the elimination of discrimination in respect of employment and occupation | Low | Covered by legislation and our management guidelines |
| Environment | 7. Business should support a precautionary approach to environmental challenges | Medium | In relation to environmental issues, the Danæg Group works within the frames of legislation and our own management guidelines. However, the task of improving our efforts within environmental issues is of great importance to us, including elements like optimization of production (both in relation to the production of eggs and the production at our production facilities), distribution, packaging, etc. Large investments was activated in 2015 and new projects are planned in 2016 within this area. |
| | 8. Undertake initiatives to promote greater environmental responsibility | Medium | |
| | 9. Encourage the development and diffusion of environmentally friendly technologies | High | |
| Anti-corruption | 10. Business should work against all forms of corruption, including extortion and bribery. | Low | Covered by legislation and our management guidelines |

As a result of the internal assessment, we are pleased, **also in 2015**, to inform that the Danæg Group, works within the guidelines of the ten principles of the UN Global Compact today.

In the potential and relevance assessment all principles within ‘**Human rights**’, ‘**Labour rights**’ and ‘**Anti-corruption**’ were assessed as high performance based on the fact that they are covered by both our management guidelines as well as the legislation in low-risk countries.

4. The Danæg Group and CSR in 2015

During 2015, we have been involved in a lot of different CSR activities.

Examples of activities in which the Danæg Group or companies within the group are or have been involved in 2015 are:

Financial support and cooperation with a number of **interest organisations** in Denmark, Sweden, and internationally:

- **Un Global compact** (The world's largest corporate sustainability initiative)
- **CSR Greenland** (CSR activities in Greenland)
- **Rosa Bandet** (Breast cancer - Sweden)
- **BRIS** (Children's Rights - Sweden)
- **Hjerteforeningen** (Heart diseases & health - Denmark)
- **Økologisk Landsforening** (the Organic Association in Denmark)
- **Team Rynkeby** (Child cancer - Denmark)
- **Etc.**



4. The Danæg Group and CSR in 2015

Other sponsorships:

Furthermore, we have also been involved in a large number of sponsorships of different **sport activities, school projects, food projects** and **general social activities** – especially within the **local areas** of the various companies within the Danæg Group.

These activities can involve financial support as well as access to different egg products - often with focus on **children, families** or **elderly people**.

Examples of these are:

- Youth sports tournaments
- Jogging races
- Bicycle race
- Boys and girl scouts activities
- Summer camp for children
- School cooking
- Food projects
- Agricultural fair
- Egg festival
- Etc.



Den danske Spiseguide



4. The Danæg Group and CSR in 2015

The Environment:

- A strategic choice of using **many local and national suppliers** and business partners.
- **Close to 80% of all products are sold within Scandinavia – with Germany as our largest export market.**
- Investments in production facilities with higher efficiency and **reduced environmental effects**. In 2015, large energy investments in Källbergs Industries, have abolished the use of oil as an energy source and thereby **reduced the CO₂ emissions by 30 % consumption in the production.**
- Wide focus on **optimization of logistics and transportation.**
- **High level of own-produced feed at the egg farmers** – both in Denmark and in Sweden.
- Expanded **use of recycled packaging** both for raw materials and finished products.
- **Pre-sorting of waste.**
- All **company cars are diesel-powered or hybrid.**
- **Etc.**



4. The Danæg Group and CSR in 2015

Health:

- **Eggs are among one of the most healthy and nutritious basic food products in the world.** Often eggs are referred to as “**super food**” due to its many health elements .
- The consumption of eggs in our home markets, Denmark and Sweden is on a high level in comparison with international levels. In **Denmark**, the **yearly consumption** (2014) **per capita is 245 eggs** (shell eggs & food products containing eggs), where as the level in **Sweden is 222 eggs**. In Denmark, the consumption increased for the 14. year in a row.
- We **pack and distribute approximately 3,3 million shell eggs every day in Denmark and Sweden** to consumers in both Scandinavia and for export. In **Finland**, Munax OY pack and distribute close **to 1 million shell eggs a day**.
- In 2015, The Danæg Group has **been involved in a number of different activities to inform the consumers** about the good qualities of the egg – both on a **company level**, but also in **close cooperation with the national egg associations in Denmark and Sweden**.
- In order to get the consumers even more involved in the use of eggs, the Danæg Group develops **a large number of new, inspiring recipes every year** – often with the focus that **it is easy to create a delicious meal that is healthy and at a low price**.
- **The launch of new shell egg concepts, liquid eggs and various egg products** is also an important focus area to the Danæg Group. These products can be launched in both **retail, food service and catering**. An example of this in 2015, is a retail launch in Denmark of a **shell eggs concept for kids**, where the children are educated about eggs in a fun and inspirational way.



4. The Danæg Group and CSR in 2015

Labour:

- In the Danæg Group, we have a **working structure and corporate culture based on trust, decentralization and a high level of employee participation.**
- As an important part of this system, **every employee has at least twice a year a structured and open dialogue with their direct superior** about aspects related to working conditions, social climate, etc.
- **Education and various employee benefits** (social arrangements, free coffee/the, Christmas present, etc.) are also important aspects of working in the Danæg Group.
- At the more overall level, we have developed **an employee manual** which covers many relevant everyday issues for our employees. These are: employee rights, safety rules, pension & insurance, smoking rules, quality & hygiene, maternity rules, holiday rules, etc. All new employees get **a presentation of the manual and receive a hand-out copy.**
- **Health is also an important part of our everyday work** - including activities like:
 - **Free fruit for all employees**
 - **Job rotation**
 - **Health insurance** – mainly paid by the company
 - Investment in production equipment for **removal of heavy lifts**
 - Corporate participation in various company **sports activities** (including running and bike riding),
 - **Various health-related activities** in each of the companies within the Danæg Group
 - **Modern office furniture** (height adjustable tables and chairs, etc)
 - **Etc.**
- In 2105, The Danæg Group performed **employee analysis** for the first time. This was a very positive experience which will be repeated again in year 2016. As a result of the employee analysis, **an action plan has been developed and is now being implemented.**



The employee manual of the Danæg Group

4. Evaluation of progress – and future targets

| Targets | Outcomes | | |
|--|---|---|--|
| | 2015 | 2016 | 2017 |
| <p>1: Employee satisfaction survey:</p> <p>To perform an anonymous employee satisfaction survey.</p> <p>The first analysis is expected to be launched in the first half of 2015 and will be performed as a digital questionnaire</p> | <p>Target: Performance of the first employee analysis</p> <p>Result in 2015: Employee analysis was performed in 3 of the 4 companies within the Danæg Group, including an action plan and targets for improving employee satisfaction</p> | <p>Target: Implementation of action plan.</p> <p>Target: Perform the analyses in all 4 companies – with an action plan for improvements</p> | <p>Repeat the analysis</p> |
| <p>2: “Code of conduct”:</p> <p>Development of a formal set-up for Danæg “code of conduct”.</p> <p>Today, we work more informally with overall management guidelines in relation to “code of conduct”-elements</p> | <p>Target: Development of a formal set-up for Danæg “code of conduct”.</p> <p>Result in 2015: The Danæg “Code of conduct” is expected to be implemented by the end of year 2015</p> | <p>Target: Implementation of Danæg “code of conduct” overall</p> <p>Target: Implementation of Code of conduct in relation to Danæg suppliers and producers of eggs in Sweden</p> | <p>Implementation of Code of conduct in relation to producers of eggs in Denmark</p> |
| <p>3: Financial support and cooperation with various interest organizations and sponsorships in Denmark and Sweden:</p> <p>The Danæg Group companies involved in these activities are especially Kronägg AB and Danæg A/S.</p> <p>In 2013, the two companies sponsored financial support for an amount of DKK 500.000 (EUR 67.000).</p> <p>In 2014, the Danæg Group sponsored financial support for an amount of DKK 669.000 (EUR 89.000)</p> | <p>Target: Financial support to interest organisations in Denmark and Sweden: DKK 700.000 (EUR 94.000).</p> <p>Result in 2015: Financial support to interest organisations in Denmark and Sweden: DKK 730.000 (EUR 97.800).</p> | <p>Target: Financial support to interest organizations in Denmark and Sweden: DKK 750.000 (EUR 100.000).</p> | <p>Financial support to interest organisations in Denmark and Sweden: targets will be settled during 2016.</p> |

4. Evaluation of progress – and future targets

| Target | Outcomes | | |
|--|--|---|--|
| | 2015 | 2016 | 2017 |
| 4: Sourcing: Today, we have a high focus on using local/Scandinavian suppliers for all our group activities. The level in 2013 was 87,73 % of the total group sourcing – 92,74 % in 2014 (measured in quantity) | Target: At least 90% of our total sourcing should come from local / Scandinavian suppliers Result in 2015: 93,7% | Target: At least 90% of our total sourcing should come from local / Scandinavian suppliers | At least 90% of our total sourcing should come from local / Scandinavian suppliers |
| 5: Production: The Swedish Group company, Källbergs Industries AB, is trying to reduce the energy consumption in their production significantly. Large investments have been made in 2015 | Target: Implementation of the energy-reducing investment Result in 2015: Large energy investments in Källbergs Industries, have abolished the use of oil as an energy source and thereby reduced the CO2 emissions by 30 %. | Target: To investigate the opportunity of other energy-reducing projects Potential actions will be settled after the investigation | Follow-up on targets from the investigation |
| 6: Labour: 1.: “Open house arrangement” in 2016 for employees (+ family) in all 4 companies within the Danæg Group 2. Update of the employee manual of the Danæg Group 3. Social media policy | Result: Development of Social media policy. | Target: Open house arrangement in all 4 companies within the Danæg Group Target: Update of the employee manual of the Danæg Group. Target Implementation of social media policy: | Targets are developed in 2016 |

6. Final statement

2015 has been an interesting and positive year for the Danæg Group in relation to CSR – and development that we want to continue in 2016.

As a final statement, we would like to express our positive mind towards our participations in the Un Global Compact. At an overall level, we receive a lot of positive feedback from both internal and external stakeholders for our work with CSR an increased focus for the Danæg Group in 2015 in relation to corporate social responsibility.

With the guidelines from the 10 principles in the Un Global Compact, the Danæg Group is now working more structured with CSR – and as a result of that, we expect to make progress with various CSR activities every year in the future.

Recently, our board approved the Danæg Gorup strategy 2016-2018, with CSR as one of the key focus areas within the years to come; both at the overall level in the Danæg Group – and within the 4 companies in the group.

Therefore, we look forward to presenting our annual Communication on Progress (COP) in the years to come – with the next report ready in February 2017.

Best regards,

The Danæg Group

