



Leverandør til Det Kongelige Danske Hof

DANÆG

INSPIRERENDE ENKELT

UNITED NATIONS GLOBAL COMPACT

DANÆG Holding A/S

COMMUNICATION ON PROGRESS
REPORT 2017

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Support of the UN Global Compact

Another year at the Danæg Group have passed, and we are delighted to recognize that our CSR policy, as well as our commitment to the UN Global Compact, now has become a fully integrated part in our everyday operations, and in general in our way of doing business. As a company we acknowledge our responsibility to our society, environment and the people we work with, and we are dedicated to develop this commitment continuously in the years ahead of us.

In year 2016 our work with CSR has once again proven that a structured and focused approach on this important subject, can create significant and positive results – both for the present day, but most importantly to lay the foundation for a sustainable future for Danæg and our surroundings.

It motivates us to be a part of an initiative, which has the support of an impressive participant number of 9.000 companies worldwide (as of mid December 2016). It is also very positive to see that within the food and beverage industry, a good number of large Scandinavian companies have decided to work actively with The Ten 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.

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 carry our CSR commitment to new standards within the Danæg Group – particularly regarding the principles of the UN Global Compact.

In our annual report, we will document our year 2016 activities, and highlight CSR activities in focus for year 2017.

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 (55%) and by the DLG Group (45%) 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 in 2016 is estimated to be approximately DKK 1.2 billion (EUR 161 million).

Furthermore, The Danæg Group has become part owner of the Finnish 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 56 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, 2016.

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 CSR.



Much have happened in the past 4 years, and the Danæg Group have continuously increased our commitment to CSR and The Ten Principles of the UN Global Compact. 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 subjects marked with 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 – 2016.

	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 implemented in 2016 and new projects are planned in 2017 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 2016**, 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 2016

During 2016, we have been involved in a wide aspect of various CSR activities, new initiatives as well as continued activities from previous years.

Examples of activities in which the Danæg Group or companies within the group are or have been involved in 2016 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)
- **Earth Hour** (Worldwide movement for the planet by WWF)
- **BarnCancer Fonden** (Child cancer fund - Sweden)
- **BRIS** (Children's Rights - Sweden)
- **Team Rynkeby** (Child cancer - Denmark)
- **Økologisk Landsforening** (the Organic Association in Denmark)
- **Danske Hospitalsklavne** (Danish Hospital Clowns)
- **Other sponsorships:**
 - We are also involved in a 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**.



4. The Danæg Group and CSR in 2016

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 and initiatives in production facilities increasing efficiency and **reducing environmental effects**. In 2016 we made a large investments in Danæg Denmark's production facilities in Christiansfeld, in a new cooling and purification plant, resulting in **reducing our CO2 emissions by approximately 52% from the production, despite the fact that we, in connection to this, have increased our production by 20%.**
- Wide focus on **optimization of logistics and transportation**.
- Ongoing focus on **being internationally certified within quality standards, environmental standards** etc. Most recently we are proud that **our Swedish company Kronägg has received the ISO 14000 “environment management” certification**, which is now being implemented. Also in 2016 **Källbergs has received the FSSC 22000 “Food Safety System” certification**.
- **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, e.g. our newly launched Danish free-range “Green Circle” eggs, **where 50% of the egg package is made of grass fibres**, the eggs are organic, the hens use local fibre feed and the concept is recommended by the Danish animal rights organization.
- All company cars are diesel-powered or hybrid.
- Pre-sorting of waste.
- Etc.



4. The Danæg Group and CSR in 2016

Health:

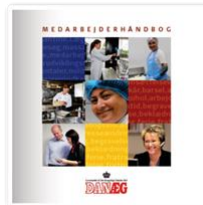
- **Eggs are among one of the most healthy and nutritious basic food products in the world.** Often eggs are referred to as “**super food**” due to its many health elements .
- The consumption of eggs in our home markets, Denmark and Sweden is on a high level in comparison with international levels. In **Denmark**, the **yearly consumption** (2015) **per capita is 248 eggs** (shell eggs & food products containing eggs), where as the level in **Sweden is 220 eggs**. In Denmark, the consumption increased for the 15. year in a row.
- We **pack and distribute approximately 3,3 million shell eggs every day in Denmark and Sweden** to consumers in Scandinavia and for export. In **Finland**, Munax OY pack and distribute close to **1 million shell eggs a day**.
- In 2015, and increasingly in 2016, 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, very nutritious 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**. One example in 2016 is the retail launch in Denmark of a **shell eggs animal welfare concept called “privileged hens”**, where the egg-laying hens have improved welfare conditions at the farm. A concept developed in a partnership between Danæg and a recognized animal welfare researcher.



4. The Danæg Group and CSR in 2016

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 of mid 2016 we have **hired a HR Manager to maintain and develop all HR activities in the Danæg Group and take care of our employees' interests.**
- **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.
- **High focus on communication**, and in 2016 we have put up TV-screens, with company updates and project statuses at all companies in order to upgrade our communication flow within the organization.
- **Education and various employee benefits** (social arrangements, free coffee/the, Christmas and anniversary presents, etc.) are also important aspects of working in the Danæg Group.
 - Example at Kronägg the management team has undergone a competence and leadership development process in 2016, and will continue this in 2017 as well.
- 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 initiatives 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, Modern ergonomically correct office furniture** (height adjustable tables and chairs, etc), **Various health-related activities and actions** in each of the companies within the Danæg Group.
 - Example at Kronägg a scheme to invite employees to be more healthy; if they work out 2 times a week in 45 weeks straight, they will get one free day off of work.
 - Källbergs offers a free health-check once every year. In 2016 in Denmark the employees working in the production has undergone a free health-check as well.
- In 2015 and 2016, The Danæg Group performed **employee analysis** for the first time. This was a very positive experience which will be repeated again in year 2017.

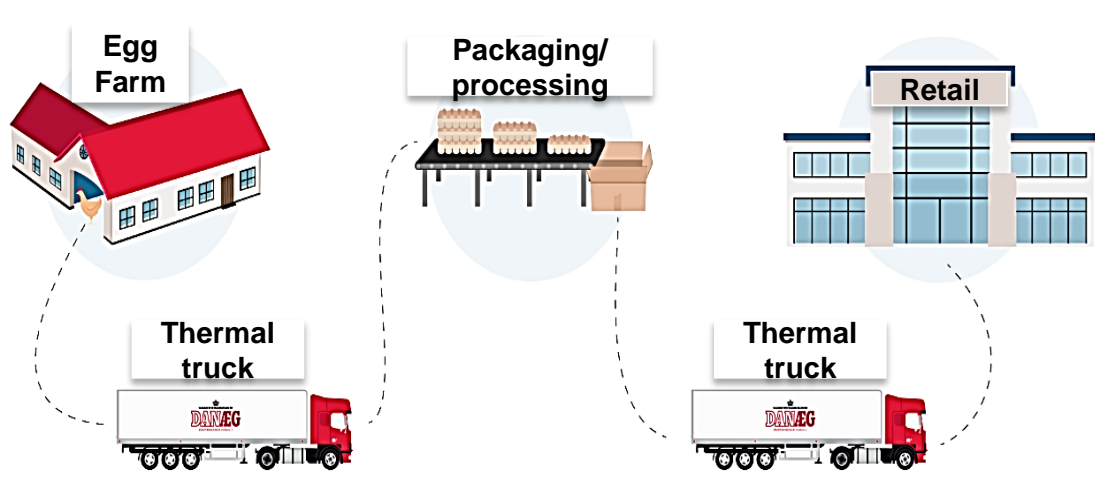


The employee manual of the Danæg Group

4. The Danæg Group and CSR in 2016

Value chain CSR:

- We have a **strategical objective to branch our CSR responsibilities throughout the whole aspect of our value chain**, through collaboration with our external partners.
- As a crucial part of this, we expect from our suppliers, that they agree to our Code of Conduct and The Ten Principles of the UN Global Compact. **This initiative has been implemented throughout 2016, and so far more than 60% of our suppliers have signed and verified their compliance to our Code of Conduct** in their supplier contracts. Our ambition is that all of our suppliers will comply to this during 2017.
- We are also proud to announce, that we **have completed a progress of securing our egg producers' commitment to the Danish egg sectors industry code (Danish Egg Association)**. Through this code we secure through audits, that our producers meets the requirements of the code, e.g. within areas such as **quality management, animal welfare, environmental requirements as well as tracking and documenting** every step of their production.
- In 2016 we have **hired a quality management consultant to facilitate best-practice and guide our egg producers** within e.g. animal welfare and quality management in areas such as animal feed.



5. Evaluation of progress – and future targets

Targets	Outcomes		
	2016	2017	2018
1: “Code of conduct”: 1.1 Full implementation of the Danæg Groups Code of Conduct inter-organizational and with our suppliers and producers. 1.2 Branching our code of conduct to our producers for their compliance to The Ten Principles of the UN Global Compact. 1.3 Branching our code of conduct out to our suppliers for their compliance to The Ten Principles of the UN Global Compact.	Target: Development of a formal set-up for Danæg “code of conduct”. Result in 2016: The Danæg Code of conduct has been implemented in 2016, and will continuously be updated. Result in 2016: all our Swedish producers has complied to the Danæg Groups code of conduct. Result in 2016: 60% of our suppliers so far has signed their compliance to the Danæg Groups code of conduct.	Target: Further Implementation of Danæg “code of conduct” overall Initiation of plan for implementing code of conduct to our Danish producers. Target: 95+% of our suppliers to comply to our code of conduct	Further Implementation of Danæg “code of conduct” overall Further work to maintain a total compliance amongst all of our producers to our code of conduct Further work to maintain a total compliance amongst all of our suppliers to our code of conduct
2: Financial support and cooperation with various interest organizations and sponsorships in Denmark and Sweden: The Danæg Group companies involved in activities are especially Kronägg AB and Danæg A/S. 2014: Danæg sponsored amount of DKK 669.000 (EUR 89.000) 2015: Danæg sponsored amount of DKK 730.000 (EUR 97.800)	Target: Financial support to interest organisations in Denmark and Sweden: DKK 750.000 (EUR 100.000). Result in 2016: Financial support to interest organisations in Denmark and Sweden: DKK 675.900 (EUR 90.900)	Target: Financial support to interest organizations in Denmark and Sweden: DKK 700.000 (EUR 94.200).	Financial support to interest organisations in Denmark and Sweden: targets will be settled during 2017.

5. Evaluation of progress – and future targets

Targets	Outcomes		
	2016	2017	2018
<p>3: Sourcing:</p> <p>Today, we have a high focus on using local/Scandinavian suppliers for all our group activities.</p> <p>The level in 2013 was 87,73 % of the total group sourcing, 92,74 in 2014 and 93,70 % in 2015 (measured in quantity)</p>	<p>Target: At least 90% of our total sourcing should come from local / Scandinavian suppliers</p> <p>Result in 2016: 97,9 %</p>	<p>Target: At least 90% of our total sourcing should come from local / Scandinavian suppliers</p>	<p>At least 90% of our total sourcing should come from local / Scandinavian suppliers</p>
<p>4: Production:</p> <p>The Danæg Group is trying to reduce our energy consumption significantly. Large investments have been made in 2016.</p>	<p>Target: Implementation of a large energy-reducing investment in Danæg Denmark</p> <p>Result in 2016: All in all this investment have reduced our CO2 emissions by approximately 52% from the production, even though we increased our production by 20%. Also we have replaced an old cooling plant which used a synthetic refrigerant, that was marked “harmful for the environment” when spilled. The Coefficient of Performance factor on our cooling plant has gone from a 1-2 factor to a 1-5 factor. This means that now 5 kW of cooling power is achieved for each kW of power consumed by the plants compressor.</p>	<p>Target: To investigate the opportunity of other energy-reducing projects</p> <p>Potential actions will be settled after the investigation</p>	<p>Follow-up on targets from the investigation</p>

5. Evaluation of progress – and future targets

Targets	Outcomes		
	2016	2017	2018
5: Labour:			
5.1: “Open-house event” at the Danish companies	Result 2016: The Open-house event was a great success at the two Danish companies	Target: Open-house event at the two Swedish companies	
5.2: Update of the employee manual of the Danæg Group	Result 2016: Employee manual has been updated and is about to be implemented	Target: Continuous update of the employee manual	Continuous update of the employee manual of the Danæg Group
5.3: Employee satisfaction survey To annually perform an anonymous employee satisfaction survey. The first analysis was launched in the first half of 2015, and resulted in an action plan to enhance the satisfaction of our colleagues.	Target: completion of the employee survey Result 2016: Employee analysis was performed in one Swedish company and the two Danish companies within Danæg, including an action plan for improving employee satisfaction	Target: Repeat the analysis	Repeat the analysis
5.4: Update of the various policies throughout the Danæg Group	Target: Identify policies throughout the companies of our organization, that can be updated for better synergy and better conditions for our employees Result 2016: an action plan is created for updating our policies.	Target: Implementation of the updated policies.	Continuous update and maintenance of our policies.
5.5: Focus on education and training An annual plan for educating and training our employees.	Target: Create strategy and policies for educating and training our employees. Result 2016: Various initiatives has been implemented. E.g. at Kronägg	Target: Implement various initiatives to educate and train our employees	Implement various initiatives to educate and train our employees

6. Final statement

Another year has passed, and it has been an interesting and positive journey for the Danæg Group in relation to CSR. We have developed our CSR strategy into an integrated part of our organization, and expect to continue our dedicated focus on this important matter in 2017.

As a final statement, we would like to express our positive mind towards our participation 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 within CSR.

With the guidelines from The Ten 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.

We are still working within the Danæg Group strategy 2016-2018, with CSR as one of the key focus areas to develop, and we can already say that CSR will become an even more important and obligating factor for the Danæg Group as well as for the whole industry in the years to come.

Therefore, we look forward to presenting our annual Communication on Progress (COP) in the years to come.

Best regards,

The Danæg Group

