

# UNITED NATIONS GLOBAL COMPACT

KOHBERG BAKERY GROUP A/S



COMMUNICATION ON PROGRESS

REPORT 2016



## Statement from our Chief Executive Officer

# Support of United Nations Global Compact

During 2016, 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

Peder Christensen  
CEO



## Introduction

# Corporate Social Responsibility

It all began in 1969 when master baker Alfred Kohberg opened his craft bakery in Rødekro in Southern Jutland. Here, he was known as the local rye bread champion – and soon the good reputation spread, and Alfred Kohberg moved the bakery to the nearby city of Bolderslev. From here, he laid the founding stone for the Kohberg we are today. And it is here, at the same address that we continue to bake for you.

In 1989, Alfred Kohberg's bakery was growing and the success was noticeable. However, there was a need to strengthen and prepare it for the future with growing competition. Based on this, Alfred Kohberg decided to sell Kohberg to the couple Preben and Inga Fogtmann. The Fogtmann family was already running their own business in the local area within the transport industry. From here, they showed that they possessed the ability and the will to drive Kohberg as an already successful business to even more. Hence, Alfred Kohberg confidently put his business in their hands in the knowledge that the family Fogtmann would continue to bake the good bread for the Danes.



At the same time, Kohberg launched its first branded products Hercules and Viking. Several brands have come along the way, but no matter what new bread we put in the oven, it is always with Kohberg as the leading brand.



After many years of producing rye bread, Kohberg expanded in 1994. We decided that we would bake for any occasion in Danish families' lives – both for every day needs as well as special occasions. Therefore, wheat bread and especially the soft and delicious buns became part of the product range. At the same time, Kohberg became nationally known for the spectacular advertising “Buns from Kohberg”.

With higher sales and new bread on the shelf, it was time to take Kohberg beyond the South Jutland borders. Years back, Kohberg had started a cooperation with HC Andersen Bagergården in Haderslev, and the company was now part of Kohberg. We also took over Trianonbageriet, which became our large, existing bakery in Taastrup. The bakery Møllens Brød also became a part of Kohberg. In this way, Kohberg became ready to bake for all Danes – and indeed even our German and Scandinavian neighbours.

The Danish people had in every way accepted Kohberg bread. And now the professional market also became aware of our presence. Hotels, restaurants and professional canteens created a demand for our products and especially for pre-baked pastry. We seized this opportunity, and in 2001, we opened a new production plant. Here, we bake everything from traditional Custard Crown and Cinnamon Whirl to Maple Pecan Plait with exciting fillings. In 2006, we took a brand new and modern rye bread bakery in use.

Today, Kohberg Bakery Group A/S comprise three bakeries with 550 employees in Bolderslev, Taastrup and H. C Andersen Bagergården in Haderslev. This makes us the largest Danish owned bakery.

## **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**

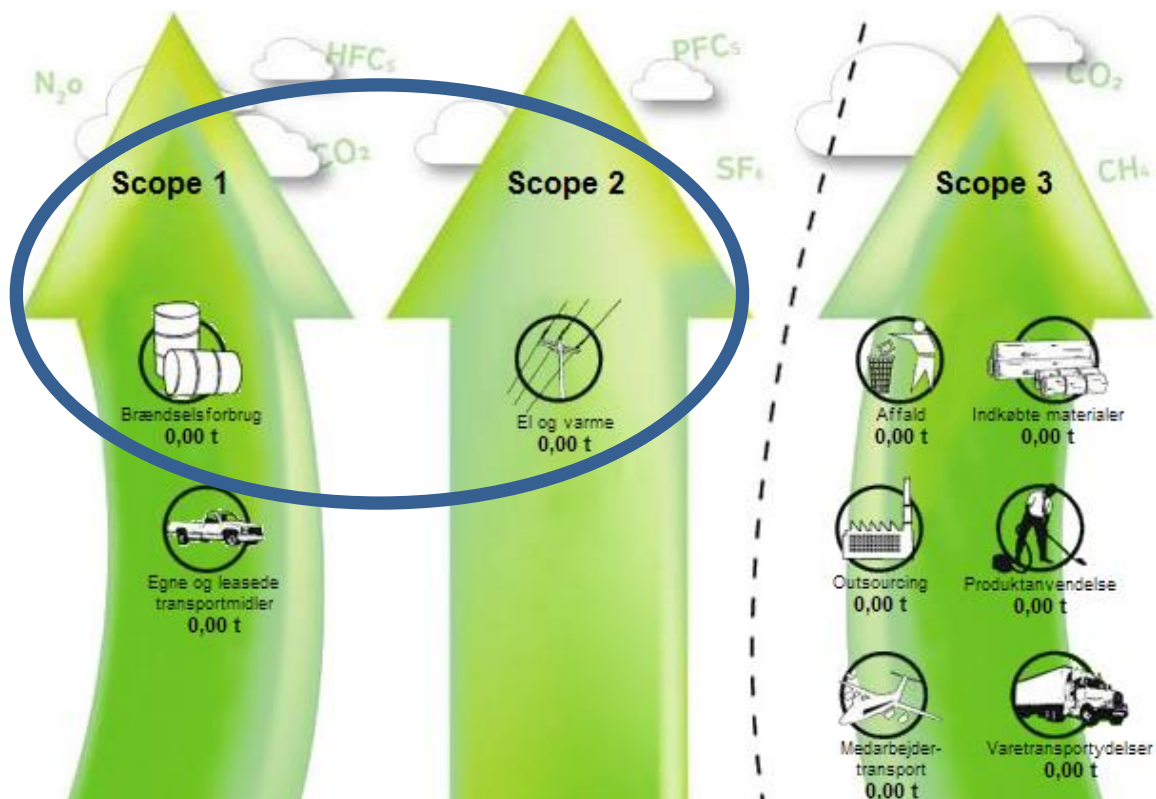
### **2) Environment and Climate**

To understand the causal relationships between our actions taken and the performance outcomes, facilitate learning and promote action as well as ensuring continuous improvements regarding 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 CO<sub>2</sub>-equivalents (CO<sub>2</sub>eq) 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 CO<sub>2</sub>eq 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). In addition, when sourcing 100 % of flour and other grain-based ingredients used in our bakeries must be from grain grown without glyphosate and straw-shortening.

**Figure 1: Illustrated scope for calculation of CO<sub>2</sub>eq/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 outcomes.**

Target		Outcomes							
		2009	2010	2011	2012	2013	2014	2015	2016
People & health	<b>People and health:</b> We will use at least 1 % of our EBT <sup>a</sup> result per year on people and health projects.	2.3 %  Target achieved	2.5 %  Target sustained	22.4 %  Target sustained	16.8 %  Target sustained	6.0 %  Target sustained	14.2 %  Target sustained	15.0 %  Target sustained	13.7 % <sup>b</sup>  Target sustained
Environment and Climate	<b>Sourcing:</b> 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	100 %  Target sustained	100 %  Target sustained
	<b>Production:</b> Reduce our total emissions of CO <sub>2</sub> 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 27.0 %  Target temp. achieved	Reduction of 19.5 %  On target	Reduction of 24.2 %  Target achieved	Reduction of 39.6 %  Target sustained	Reduction of 26.8 % <sup>c</sup>  Target sustained
	<b>Distribution:</b> 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 %  Target sustained	69 %  Target sustained	70 %  Target sustained	67 %  Target sustained	68 %  Target sustained

<sup>a</sup> EBT = Earnings Before Tax.

<sup>b</sup> Estimated based on the expected financial result for 2016 until the final financial report is approved.

<sup>c</sup> Emission factors from year 2015 are applied until emission factors from year 2016 are published.



## 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 which is available from the UN Global Compact website<sup>1</sup>.

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 ten 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 emphasized 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 thus, 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 that the self-assessment tool and the information provided by it is only intended as a general guide to the issues covered<sup>2</sup>, and thus, is based on a

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

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



qualitative assessment with answers from individual persons responsible for the 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.

## Code of Conduct

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 recognize 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<sup>3</sup>. 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



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<sup>3</sup> <http://www.kohberg.dk/om-kohberg/vores-vaerdier>

our main CSR programme as described in Table 1.

**Table 2: Business potential and relevance assessment**

TOPIC	STATUS	COMMENTS
<u>HUMAN RIGHTS</u>		
Health and safety		Covered by legislation and our Code of Conduct
Hours, wages and leave		
Fair Treatment		
Community Impacts		
Product stewardship		
Country risk		
Suppliers		
<u>LABOUR</u>		
Trade Unions		Covered by legislation and our Code of Conduct
Forced labour		
Child labour		
Non-discrimination		
Suppliers		
<u>ENVIRONMENT</u>		
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		
<u>ANTI-CORRUPTION</u>		
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)

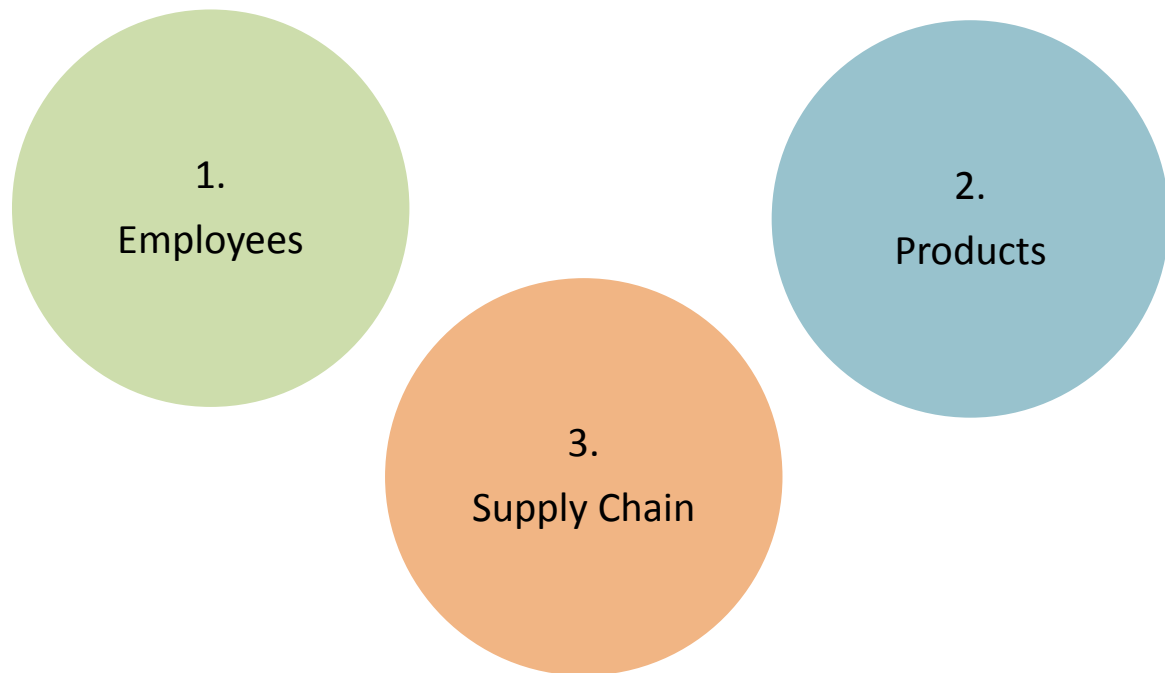
### 3) Anti-corruption

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 to archive and sustain our people and health target, as specified earlier in our CSR programme (see 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 achieve an even higher responsibility than ensured by our Code of Conduct as well as national legislation as specified in Table 2. As a result, we have decided to group the actions taken in accordance with the structure of Figure 1.

*Figure 2: Focus areas in relation to People and Health.*



## Employees

### Health

Kohberg has 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. For instance, we have developed and initiated testing of new work place assessment material that should result in a better assessment process. The subsequent analysis will hopefully clarify whether the structure and the way questions are formulated is an improvement over the existing system and make the assessment more useful. The working environment organization is expected to be in place in January 2017 after which the mandatory meeting activities can be resumed, including the annual

working environment discussion. Another initiative has been to mount back protectors on all forklifts to protect employees against collisions when working. In addition, the new working environment organization must be involved when clarifying investments in new forklifts and pallet trucks to ensure that the different needs are included in the decision. This includes regulatory requirements as well as the rules for how to handle lifts that are more than two meters in height. Finally, at our finished goods inventory, we have initiated actions to prevent lifts under knee height as well as above the shoulders in relation to the weight and number of products that are manually handled daily. Lifts under knee height are accommodated by raising the platforms where the finished pallets are placed so that the number of lifts under knee height are significantly reduced. We are currently in dialog with a supplier of lifting equipment on how to accommodate for lifts over shoulder height to improve our working environment further. We will be working with this during 2017. In addition, we continuously call attention to observations of employees who perform lifting that are not ergonomically appropriate.

## Safety

Numerous initiatives have also been implemented to improve the overall safety of working in our company. For instance, we are currently updating the manual covering the working environment so that the descriptions refer to current legislation and requirements. The manual is accessible to our employees through the intranet. We have also initiated evacuation drills and will continue this work by educating key personal with special functions. In addition, we have marked the internal "roads" so it is clear where vehicular and pedestrian traffic is allowed to move. Part of this has been to develop and implement internal traffic rules which have been made available to all employees, e.g. mentioned at whiteboard meetings and displayed on monitors in the company. We have mounted platforms on both sides of a cooling lane to allow for a safer cleaning and maintenance process. The initiative is expected to be expanded to other cooling lanes in 2017 where appropriate. We have also initiated a cultural change project with regards to our working environment and safety supported by the Danish Working Environment Authority's 50 %

funds. The project facilitates the change from an “it will probably be alright” culture to a “safety first culture”. The working environment organization from all our sites have been invited to participate in the project and materials have been developed and posted to keep focus on the project. We have also been in dialog with employees and leaders in our company regarding conditions that can pose a risk to our employee health. In fact, as explained in earlier communication on progress reports, we continuously seek to learn from “near accident” to avoid accident from happening. For this purpose, we developed a system where these incidents can be reported. However, the number of “near accident” reports submitted in the system shows a need to implement an electronic system to process and follow-up on these incidents in a clear and structured manner. We have learned from this during 2016 and expect the new system to be functioning in 2017. To put things into perspective, we have had 155 “near accident” reports submitted in the system during 2016 compared to 116 in 2015 – that is a 34 per cent increase. We do not perceive the increase of “near accident” reports as a negative development, but rather as a sign that the increased intention to these events have paid off and provided us with transparency regarding where to improve our working environment to prevent future accidents. This includes building and behaviour related conditions. Our development in this area is most likely documented in the number of actual accidents which have decreased from 21 accidents in 2015 to 11 accidents in 2016.

## 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 2015, 500 employees from our production and supply chain departments participated in a skill development program in a collaboration between Kohberg, AMU SYD and job centres<sup>4</sup>. The role of the job centres in the collaboration effort was to ensure that people

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<sup>4</sup> <http://kohberg.dk/kontakt/presse/uddannelse-12-november-2013>



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 was a piece on the local television news about it. The Minister of Employment even visited Kohberg the 5<sup>th</sup> of March 2014 in order to follow the project which turned out to be a success. The project was closed in the summer 2015 – and with success.



From January 2015 until March 2015, we implemented a two days Lean course together with AMU SYD, where employees from our production and supply chain departments were educated in Lean. This is another opportunity to improve our employees' skills. The course was carried out at our sites in Bolderslev and Taastrup with great success. For our new employees in the production and supply chain departments, we have ensured their participation in the skill development program carried. In addition, we have encouraged our employees in the production to improve their competences using the offer from IKUF (which is a competence fund for development). The employees can chose among approx. 50 different relevant courses at AMU SYD, and are allowed up to 72 hours of education per year. Approx. 20 employees have accepted this possibility.

Kohberg has focused on helping employees with dyslexia during 2015. 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.

We were contacted by AOF Sprogcenter late 2015, who queried cooperation and a partnership regarding refugees in the southern part of Jutland, and the new governmental requests regarding a lingual internship of 13 weeks in a local company. The refugees must attend a Danish course at AOF Sprogcenter and, at the same time, help in a local company in order to train the Danish language. They are allowed to help existing employees. We expect to train six refugees from March 2016. During 2015, we have had a few refugees working for us in an internship for a period of one month. This is to train them and help them prepare for the Danish companies. We have had several skilled workers, who experienced an educational month here at Kohberg, unfortunately we cannot find employment for all of them. The project with AOF Sprogskole resulted in 2 refugees being employed in the production in Bolderslev. A great success for all of us. The integration process has been good, and both improve their Danish language every day.

A new education has been approved during 2016 called 'process operator within baking'. The plan is to educate competent young people with this profile. The education takes four years and comprises a mix of practice in the company and education at a technical school.

We have employed two young men for the first semester of education from the 1<sup>st</sup> of January 2017. In addition, we have continued with our “Kohberg Leadership Academy”.

We continuously work with our employee’s competences. We have made new competence matrix for several employees and constantly work with their qualifications and further education.

## Products

### Collaboration with Team Danmark

Kohberg has in collaboration with Team Danmark<sup>5</sup> developed a new product series called Kohberg Active. Specifically, we have worked in close collaboration with sports nutrition consultants from Team Danmark and involved several athletes in workshops to create these



unique active protein bread and active protein bun products – both products meet the requirements to be good in training. Kohberg active series is characterized by having a high



content of protein and also a high content of fibers in the bun. The products are also low in carbohydrates and a majority of good fats. In addition, the bread contains visible and juicy seeds as well as the popular chia and flax seeds. The breads are perfect for a snack. It satiates and provide energy, and the

<sup>5</sup> <http://www.teamdanmark.dk/>

protein-content increases muscle mass and gives strength. Kohberg have with the launch of Kohberg active shown that it is possible to bring both attention and health back to the bread category. The active series have been added a new sandwich product in 2016 and the series had a market share of approximately 4.4 per cent of total wrapped bread by the end of November 2016. The marketing has been made using the Danish swim athlete Jeanette Ottesen, as frontman, and have been promoted through both used TV and social media to create awareness of the products.

### 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’<sup>6</sup> 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<sup>7</sup>. 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 participants<sup>8</sup>. One of the results from the campaign has been the



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<sup>6</sup> <http://fuldkorn.dk/english/>

<sup>7</sup> <http://fuldkorn.dk/english/>

<sup>8</sup> [http://fuldkorn.dk/om\\_partnerskabet/](http://fuldkorn.dk/om_partnerskabet/)

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 are 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'<sup>9</sup> 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. In 2016, the number of products in the series count to 8 different variants, all labelled with the keyhole symbol. Today, most of our branded product range in the retail market is labelled with the keyhole and whole grain label.



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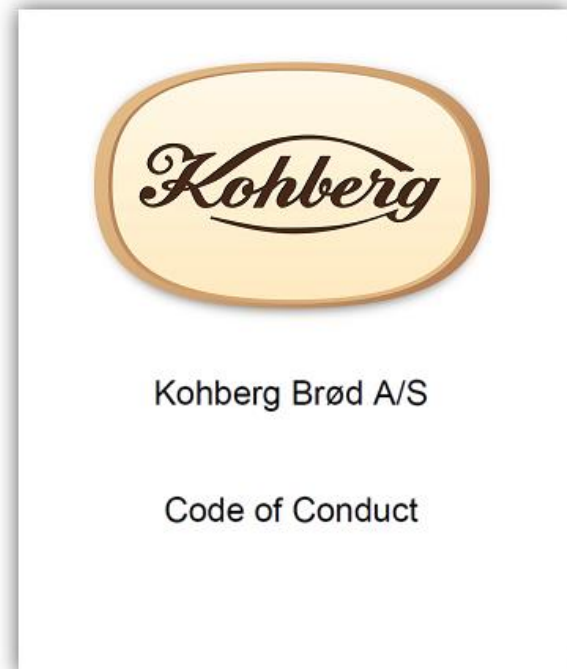
<sup>9</sup> <http://www.noeglehullet.dk/services/English/forside.htm>



## Supply Chain

### Supplier Code of Conduct

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 and packaging materials; 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, we do perform audits to ensure product quality and food safety when deemed necessary. 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. For instance, 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 mainly 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 in our supply chain is especially important and relevant for high risk ingredients. In our case, this includes the use of palm oil which has been heavily debated, 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' (RSPO) initiative the 4<sup>th</sup> of December 2012<sup>10</sup>, and thus, fully supports the work of RSPO.

Kohberg doesn't purchase and use palm oil directly in our production. However, some of our ingredients contain palm oil. For this reason, Kohberg continued to work 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 certificate for two of our bakeries in 2014 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 RSPO certified palm oil. This has resulted in approx. 20 % of the total volume of ingredients purchased in 2016 being produced using segregated certificated palm oil.



Check our progress at <http://www.rspo.org>

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<sup>10</sup> <http://www.rspo.org/members/1904/Kohberg-Bakery-Group-AS>



# 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 2015 to achieve and sustain our environment and climate target, as specified earlier in relation to our CSR programme (see Table 1), as well as our commitment to the related principles in the UN Global Compact (principle 1-6 and 10). To ensure consistency between our environment and climate target and actions taken, the following actions will be clarified in accordance with the structure of Figure 2 as can be seen below. The purpose of Figure 2 is to illustrate the three main areas in our supply chain where actions are taken to improve our environmental performance.



*Figure 2: 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 mainly use Danish grown rye, which reduces the requirement for transportation to a minimum from an environmental (CO<sub>2</sub>eq) perspective.

## Production

As part of our target of reducing our total emissions of CO<sub>2</sub>eq by 20 % per kilogram finished product produced before 2020 compared to 2009, we have focused on decreasing the energy used in the making of the bread. Overall, we believe that we have managed to achieve a production system with lower energy consumption over the years. This has happened through various different actions as will be elaborated in the following. We have implemented a flexible and demand controlled heating system that ensures the right temperature in our office areas when our employees are working. We have also invested in a new and more efficient condenser for one of our central cooling systems which reduces our water and chemical usage as well as the energy required for the operation of our equipment.



## 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 replaced six of our older trucks with newer and more fuel efficient trucks (newer Euro-norm). Based on the current distance travelled by these trucks on a yearly basis and the increase in fuel efficiency compared with the older trucks, this results in a reduction of just under 150.000 litres of diesel which equals a 530 ton CO<sub>2</sub>-eq. reduction. This should help of to minimize the environmental impact from our logistics activities.



## Outcomes

# Meeting our Targets

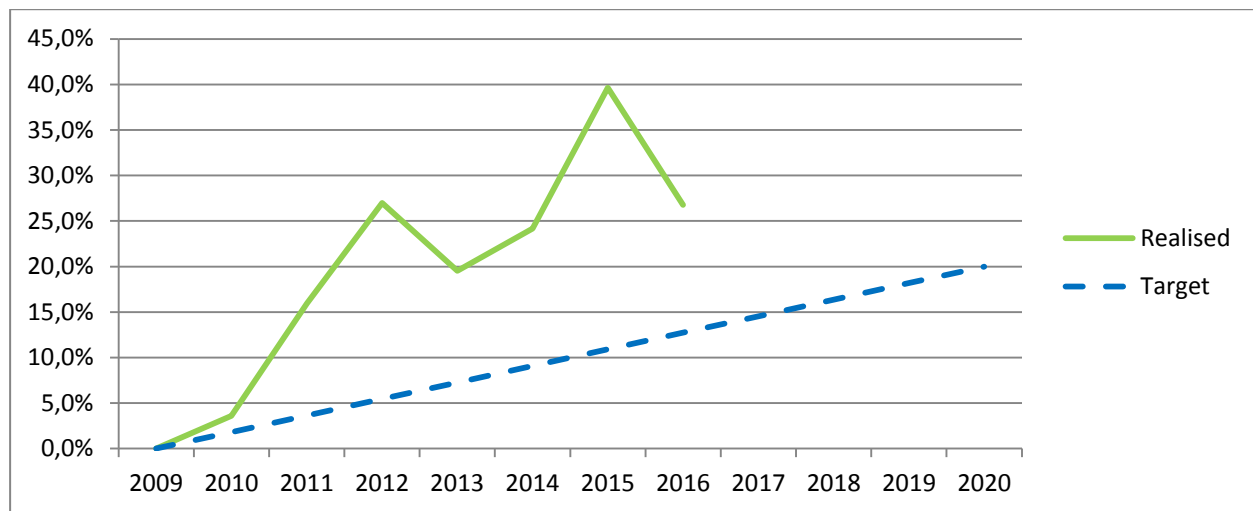
In the following, we will discuss and follow-up on the outcomes of the actions taken to achieve and sustain our environment and climate target, as specified earlier in relation to our CSR programme (see Table 1). From Table 1, it is clear that Kohberg has managed to achieve and sustain all targets. Although our targets have been achieved and sustained before originally planned, the targets have not been seen as unambitious by Kohberg. Instead, we see this as a result of our dedicated effort to achieve our goals as demonstrated by the various actions reported over the years in our COP-reports.

During the year, we have managed to sustain our target of using at least 1 % of our EBT result per year on people and health projects. As highlighted in the “Human rights, labour rights and the fight against corruption” section, we have taken a number of actions in relation to employee health, safety and development to ensure continuous progress in this area. In addition, we have taken a number of actions in relation to our products to provide consumers with healthier choices. Steps have also been taken to ensure better social responsibility in our supply chain from “high risk ingredients” that are embedded in the ingredients we purchase and are now an active member of the “Roundtable on Sustainable Palm Oil” initiative.

In the environmental and climate area, we have managed to sustain our target of using flour and other grain-based ingredients that are grown without the use of glyphosate and straw-shortening. This target was originally achieved back in 2009 where the target was defined and has been sustained ever since. We have also achieved our goal to reduce our total emissions of CO<sub>2</sub>eq. by 20 % per kg finished product produced in 2012, and then again in 2014 but this time managed to sustain this target in 2016. We consider this to be an important achievement given that the target was originally defined to be met in 2020, but also because it covers all of our three bakeries, cold store and depot. However, part of the explanation is a decreased emission factor for electricity used in our bakeries, which is out of our own direct operational control (Scope 2). The third target, which covers the degree of co-distribution, was already achieved in 2010 and has been sustained ever since. For an

overview of the development towards our target of reducing our total emissions of CO<sub>2</sub>eq by 20 % see Figure 2.

**Figure 2: Total emissions of CO<sub>2</sub>eq relative to kilogram finished product.**



Much effort has been dedicated towards identifying feasible actions and implementing these in our company and supply chain. As demonstrated in this report, these actions have resulted in directly measurable performance outcomes as demonstrated in Table 1. As a result, the current development towards our CSR targets is considered a success. With our 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 for action in relation to the four areas covered by the UN Global Compact and the ten principles.

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



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