

United Nations Global Compact Report 2017

Kohberg Bakery Group A/S

Communication on progress

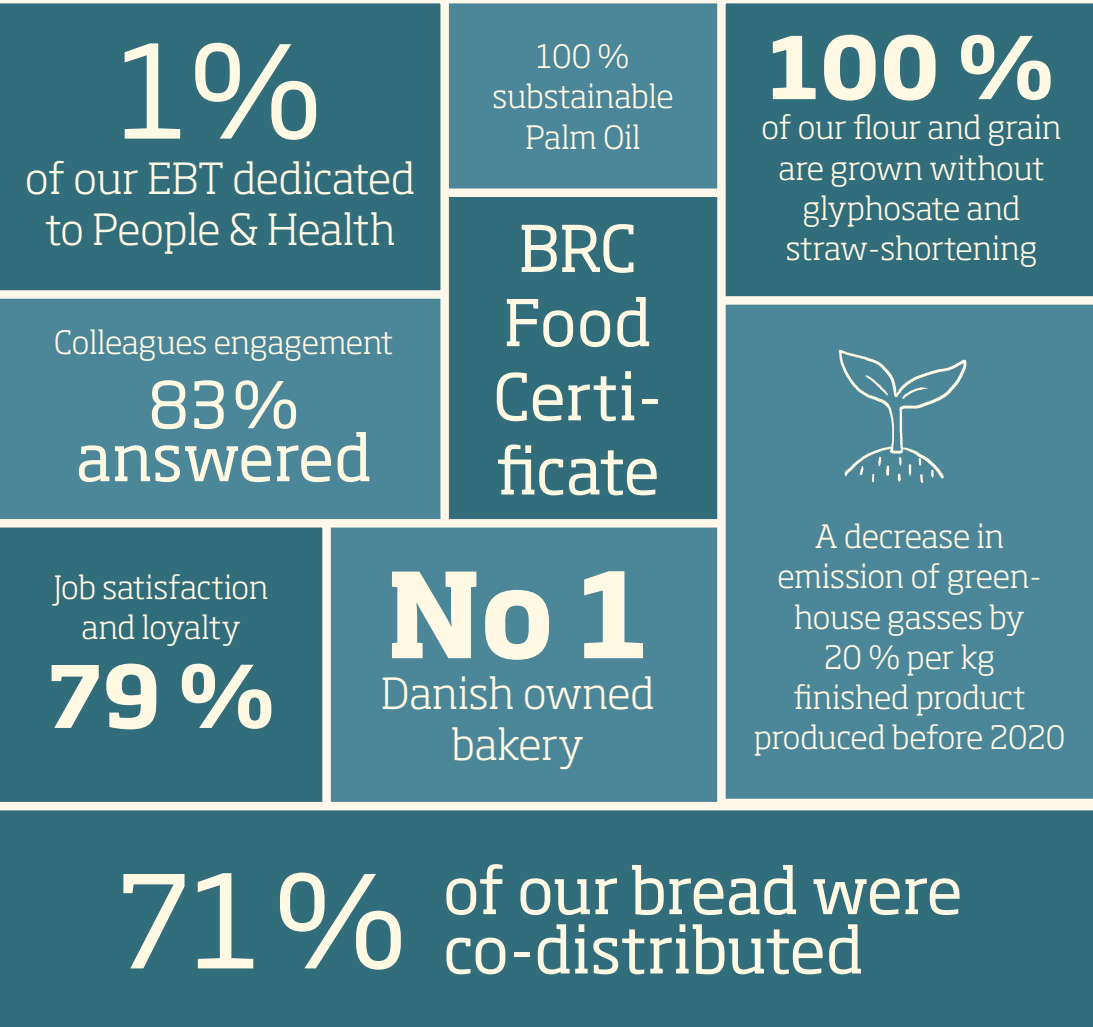
The Kohberg logo is an oval emblem with a light beige background and a dark brown border. Inside the oval, the word "Kohberg" is written in a dark brown, elegant script font.

Kohberg

Bager for dig

LIST OF CONTENT

- 3 WELCOME TO KOHBERG
- 4 KOHBERG MISSION & SET OF VALUES
- 6 THE STORY OF KOHBERG
- 8 OUR CORPORATE SOCIAL RESPONSIBILITY PROGRAMME
- 11 SELF-ASSESSMENT ACCORDING TO THE TEN PRINCIPLES
- 13 HUMAN RIGHTS, LABOUR RIGHTS AND THE FIGHT AGAINST CORRUPTION
- 14 EMPLOYEES
- 16 SAFETY
- 18 PRODUCT
- 20 SUPPLY CHAIN
- 23 ENVIRONMENT & CLIMATE
- 24 SOURCING
- 24 PRODUCTION
- 25 DISTRIBUTION
- 26 OUTCOMES



WELCOME TO KOHBERG

Kohberg Bakery Group is among the 20 biggest food producing companies in Denmark – and the largest Danish owned bakery. Almost 100 % of all consumers in Denmark know our brand, our bread is present in most Danish households, and every day around 550 people are doing their best to make sure we bake first quality bread. We consider that a serious obligation – and we are humble about this position.

During recent years, our export activities are heavily increasing especially in Norway, Sweden, Germany, and the US – and thus more consumers and buyers from the rest of the world get to know the taste of Kohberg these years.

People, health, environment and climate are focus areas. Both as a natural consequence of the above and of the fact that we are a part of UN Global Compact. In the coming years we will invest even more in initiatives that will improve food safety, working environment and reduce our impact on environment and climate.

In 2017 our focus was specifically on people and health, environment and climate. In this report, we communicate the progress of our targets and our plans for the years to come. We welcome your comments and perspectives on our work – and we will do our utmost to live up to the essence of our brand promise: “Kohberg bager for dig”. (Kohberg is baking for you). This brand holds a strong focus on people – both employees and consumers and our surrounding world.

Bolderslev, March 2018

Peder Christensen
CEO, Kohberg Bakery Group A/S



KOHBERG MISSION & SET OF VALUES

We have it as our common goal, at all times, to bake the best bread to the Danes. And we have set clear frames for ourselves, our business and set up a mission. Further, we have a set of values which we would like to share with our customers.

MISSION

We have a passion for bread, we prioritize the good taste of bread and we make the experience of fresh bread easier for you - regardless of where you do your shopping or enjoy our bread.

SET OF VALUES

Our set of values is the DNA of our company and the backbone of everything we say and do and we are happy to defend our five core values:

IMPASSIONED

Passion for quality bread is the driver of our business. We want to win and we are ambitious and try harder to bake the bread preferred by Danes. We are highly engaged in developing our bread with a focus on health, great ingredients and good taste. We have a distinct professional pride - we never compromise on quality. We want to be proud of each and every product we make and action we take, in relation to both internal and external customers.

ATTENTIVE

Based on mutual trust and respect and a high degree of involvement of employees and management in all aspects, we will be better when acting as one incorporated whole towards our customers!

RESPONSIBLE

We are a socially responsible organisation and we demonstrate due care towards customers, suppliers and other stakeholders. We keep our bargains and take ownership for our products and actions. And we take pride that our credibility must never be questioned!

TEAM PLAYERS

We make good results by working together in teams across our organisation, utilizing the differences of our skilled colleagues to reach the goals set.

ADAPTABLE

In a market in constant development, we are forward-looking and adaptable.

This goes for both our organisation as a whole and each of the employees. We are open and curious to taking new ways and do our best to constantly improve.

CODE OF CONDUCT

Our Code of Conduct is an important part of our overall company values. Our values are further developed and interpreted into a management behaviour and employee behaviour document. Basically, our Code of Conduct document is based on the ten principles of the UN Global Compact.

Our Code of Conduct is about human rights. We oppose the violation of internationally proclaimed human rights and we oblige both ourselves and our suppliers to comply with local laws and standards. Furthermore, our Code of Conduct includes numerous requirements for worker rights. Our Code of Conduct must also ensure that both we and our suppliers act responsibly in relation to the environment. This also applies for the work environment. Finally, our Code of Conduct commits our suppliers to discourage all forms of corruption. Kohberg recognizes the importance of 'Human rights', 'Labour rights' and 'Anti-corruption' and will take any necessary precautions to sustain the high performance regarding these principles.



THE STORY OF KOHBERG

It all began in 1969 when Alfred Kohberg, the local rye bread champion, opened his craft bakery in Rødekro in Southern Jutland. As the good reputation spread, Alfred Kohberg moved the bakery to the nearby city of Bolderslev, where he laid the founding stone for the Kohberg you know today. And it is still here, at the same address, we bake for you today.

Twenty years later, Alfred Kohberg's bakery was a growing success – and the time had come to strengthen and prepare the company for a future with growing competition; Alfred Kohberg decided to sell Kohberg to Preben and Inga Fogtmann, whom he was certain would have the ability and the will to drive Kohberg even further and continue with his concept of baking good bread for the Danes.

After many years of baking solely rye bread, Kohberg expanded its business in 1994; we wanted to bake for any occasion in Danish families' lives – every day needs as well as special occasions. Therefore, we added wheat bread and especially the soft and delicious buns to our product range.

With higher sales and new bread on the shelf, time had come for Kohberg to expand from South Jutland. Kohberg had years ago started a cooperation with HC Andersen Bagergården in Haderslev, which was now a part of Kohberg, and we also took over Trianonbageriet, which is today our large bakery in Taastrup. Also the bakery Møllens Brød became a part of Kohberg and Kohberg grew to be able to bake for all Danes – and even our neighbours in Germany and Scandinavia.

Soon the professional market, hotels, restaurants and professional canteens began to demand our products, especially pre-baked pastry, and seizing the opportunity, we opened a new production plant in 2001, where we bake everything from traditional "spandauer" and cinnamon buns to braided pastry bars. In 2006, we opened a brand new and modern rye bread bakery.


Today, Kohberg Bakery Group A/S comprises three bakeries with more than 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, in accordance with the 10 principles in the UN Global Compact.

These are:

 People and Health

 Environment and Climate

We define and specify our commitments in table 1.

PEOPLE & HEALTH

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 recent years, we have more than fulfilled this - and in 2017, we did too. The number for 2017 seems considerably lower than previous years, however, some of the difference is due to the fact that the estimated result is considerably higher in 2017 compared to 2016 - an increase of 17m DKK which has a negative effect.

Furthermore, we spent 900,000 DKK less in education etc. in 2017 compared to the year before. Primarily as we in 2016 implemented a major leadership education which resulted in essentially higher educational costs in 2016.

ENVIRONMENT & CLIMATE

When it comes to environment and climate, we focus on three separate areas; sourcing, production and distribution practices. Our main environmental target is to decrease emission of greenhouse gasses by 20 % per kilo finished product produced before 2020 compared to 2009 as the year of reference. The emissions of greenhouse gasses will be measured as the total annual 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 Soeften.

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 sustain our goal of having at least 50 % one truck stops at customer sites for all fresh bread in Denmark (co-distribution). In relation to sourcing, 100 % of flour and other grain-based ingredients used in our bakeries must be from grain grown without glyphosate and straw-shortening.

Target		Outcomes								
		2009	2010	2011	2012	2013	2014	2015	2016	2017
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 % Target sustained	16.8 % Target sustained	6.0 % Target sustained	14.2 % Target sustained	15.0 % Target sustained	13.7 % ^b Target sustained	1,52 % Target sustained
Environment and Climate	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	100 % Target sustained	100 % Target sustained	100 % Target sustained
	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 27.0 % Target achieved	Reduction of 19.5 % On target	Reduction of 24.2 % Target achieved	Reduction of 39.6 % Target sustained	Reduction of 18,5 % Target sustained	Reduction of 27,8 % Target sustained
	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 % Target sustained	69 % Target sustained	70 % Target sustained	67 % Target sustained	68 % Target sustained	71 % Target sustained

Table 1: Focus areas, targets and outcomes.

^a EBT = Earnings Before Tax.

^b Estimated based on the expected financial result for 2016.

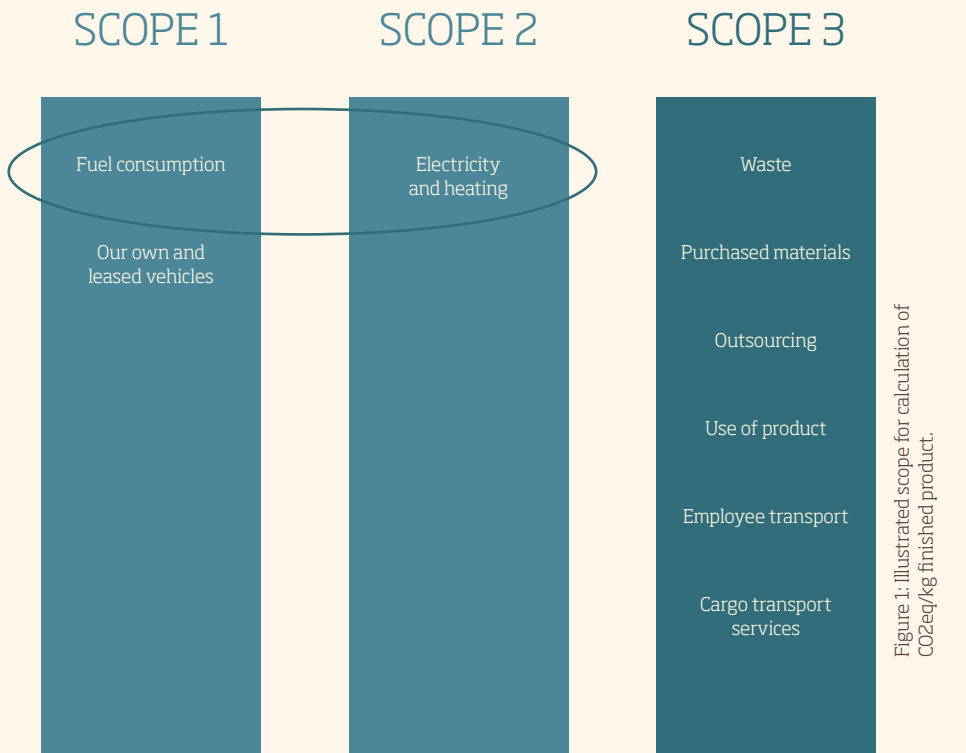


Figure 1: Illustrated scope for calculation of CO₂eq/kg finished product.



SELF-ASSESSMENT ACCORDING TO THE TEN PRINCIPLES

OUR PRIORITIES

In previous years, we have used the Global Compact Self-assessment tool from 2010 to do our self-assessment - and for the 2017 report, we have followed the same guidance¹. The overview of focus areas, targets and outcomes can be found in table 2.

All areas 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, and thus, is based on a qualitative assessment with answers from individual persons responsible for the respective areas at Kohberg and thus only provides 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.

	Topic	Status	Comments
Human rights	<ul style="list-style-type: none">Health and safetyHours, wages and leaveFair treatmentCommunity impactsProduct stewardshipCountry riskSuppliers		Covered by legislation and our Code of Conduct
	<ul style="list-style-type: none">Trade unionsForced labourChild labourNon-discriminationSuppliers		Covered by legislation and our Code of Conduct
Environment	<ul style="list-style-type: none">Compliance and managementPrecautionResponsibility and performanceTechnology	F/A	Focus through our Code of Conduct as well as our sourcing, production and distribution practices
Anti-corruption	<ul style="list-style-type: none">Anti-corruption environmentPolicy and proceduresThird PartiesJoint Actions		Covered by legislation and our Code of Conduct

Table 2: Business potential and relevance assessment
In Table 2, green indicates a satisfactory level of performance with limited risk and potential for improvement, yellow indicates principles where practices can be enhanced and red indicates the principles where focus should be emphasized for improving our performance.

1) <http://www.globalcompactselfassessment.org/aboutthistool/termsofuse>



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.

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/JOB SATISFACTION MEASUREMENT

All of the 562 employees at Kohberg were invited to participate in the job satisfaction measurement we made in 2017. We consider this measurement to be an important tool for our work, and we are very pleased to see 83 % of our employees participate in the survey.

We measured two overall areas – job satisfaction and loyalty. Regarding loyalty, Kohberg achieved a high score of 79 and the score on job satisfaction was 72. We are striving to improve this result and have an ambition of reaching a score of 74 on job satisfaction when we have our next measurement in 2018.

The job satisfaction measurement includes 8 focus areas, among these reputation, management – both top management and immediate superior – co-operation, working conditions as well as education and development. Each manager has subsequently received a report with the score for his or her responsibility area, and in order for them to be able to work actively with the job satisfaction measurement, we have held three workshops for all managers. Here they have been introduced to how to be working on actual action plans together with their teams to further improve the job satisfaction of their employees.

We are very much looking forward to seeing the results of this work in connection with the job satisfaction measurement in 2018.

STAFF RETENTION

At Kohberg we believe that happy employees are key to our company's success and one of our focus areas is therefore staff retention – also of employees with health problems.

Every fifth Dane experiences psychical problems like e.g. stress to an extent which will influence on his/her job, so a survey published by the Danish pension fund, PFA in February 2018. This means that Kohberg will also have employees who for various reasons are stressed. As we are aware of the value of helping and retaining our employees, we (in co-operation with an external consultant) offer individual courses for employees who need extra help to overcome their stress.

Further to this, our employees are covered by a health insurance which among others includes a number of treatments and operations, and we keep focus on employees with a reduced ability to work. In close co-operation with the public employment service we offer company internship programs to such employees to help them try out their ability to work and to help them gradually return to their working life. Hereby, Kohberg takes responsibility for our own employees and also takes a social responsibility as we also offer company internship programs to non-employees.



HENNING WORKS FOR TWO HOURS THREE TIMES A WEEK

Through a long course of a illness, Henning Johansen has maintained his connection to Kohberg. In a close co-operation with the bakery, they have found a solution where he is helping out in the warehouse as far as his health allows.

- I am most grateful for the help and support I have received from Kohberg during my disease – and in my present job.

Henning Johansen, who is 55 years old, has been working in the Kohberg warehouse for 24 years. He has always loved his job but was afraid to lose it when he was affected by among other things a slipped disc and degenerative joint disease which further lead to stress and a depression.

Henning was absent owing to illness for more than two years whereafter he, in a close co-operation between Kohberg and the public employment service, was given the opportunity to try out his ability to work. He has now returned to Kohberg in a so-called 'flexjob', meaning that he today works for two hours, only three days a week.

During his entire course of an illness he was supported by Kohberg and his superiors.

- I cannot do my job as a warehouseman any more but I can help in cleaning up where needed and I hand out the daily mail. I know everyone in the bakery, and they know me – and this arrangement works for all parties, says Henning Johansen.

51 EMPLOYEES FINISHED AN IKUF COURSE IN 2017

DEVELOPMENT/EDUCATION

A focus area in 2017 has been to incite even more of our employees to begin an education or a continuing education. Well-educated employees help Kohberg attain our strategic goals but our focus is also caused by the fact that we know the value of happy employees who get an opportunity for self-development. An upgrading of qualification will further help us in connection with internal recruiting.

Through IKUF – a foundation for upgrading of qualification by among others The Confederation of Danish Industry – all employees are given the opportunity of having two weeks of education of their own choice every year. We have a monthly meeting with a consultant from the educational institution IBC and together with him and our trade union representative we have prepared a catalogue with a number of courses for our employees to attend, based on their own interests and wishes. For instance, our unskilled employees can take a course in order to be industrial operators via IKUF.

In 2017, 51 employees finished an IKUF course, corresponding to 11 % of our target group. We strive to see an increase in the number of completed courses by five per cent in 2018, in 2019 and in 2020.

Apprenticeships are a natural part of the working day at Kohberg. We have at present four apprentices as automatic technicians and four as process operators. We have entered into a co-operation with Danfoss in Graasten to have an exchange of apprentices. Thereby, the young persons will get even better opportunities to develop both professionally and personally and to improve their qualifications during their apprenticeship.

SAFETY

SAFETY IS IMPORTANT

Safety is an important topic at Kohberg – and thus also in 2017. We go through every inch of the bakery to avoid accidents and ensure the best possible conditions for our employees.

A number of initiatives has put focus on safety at Kohberg in 2017. Both management, the working environment organisation and all employees are in the middle of a cultural change where safety is not a mere chore but a focus point for the sake of everybody. Therefore, safety is first on the agenda at all

meetings – whether they are board meetings in the production or the weekly meeting for all production managers.

The 40 employees of the working environment organisation have been attending several courses concerning legislation and communication and we are at present accomplishing a total screening of the bakery in relation to safety and risk areas. We want the safety at Kohberg to be ahead of legislation.

The initiatives have led to an increased focus on registration of near misses.

116 near misses were registered in 2017 which is the same as for the year before. Already 38 near misses have been reported during the first two months of 2018.

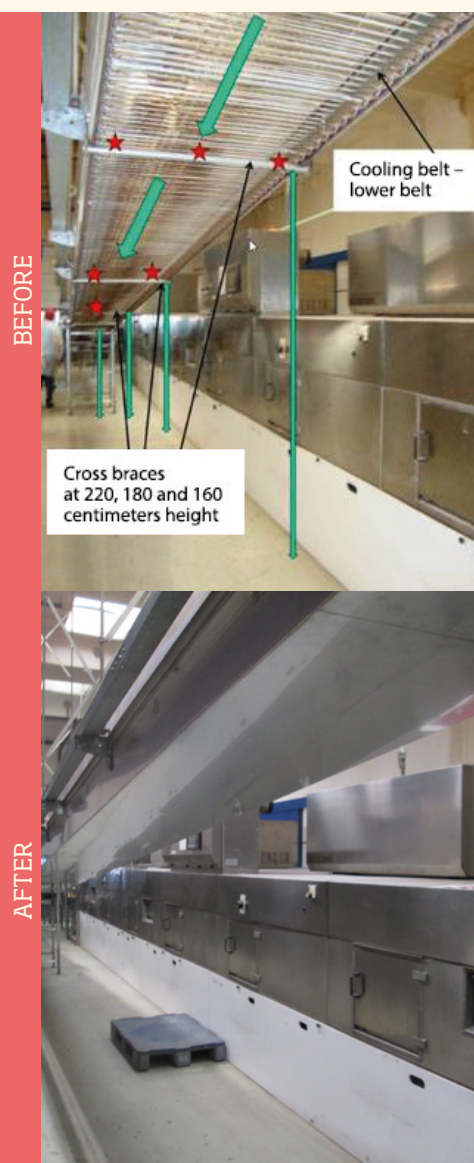
The tendency of an increasing number of near misses indicates that the entire organisation is observant in connection with adverse incidents and that everybody wants transparency. By registering as many near misses as possible, these incidents are highlighted and we will hopefully avoid repetitions.

COVERING THE COOLING BELT

No employee will risk having his or her fingers jammed in the CapWay belt in the bakery. The long conveyor, winding its way through the bakery has been covered.

When the bread leaves the hot ovens, it is taken out of the form and placed on the CapWay belt – a very long conveyor, running through the entire bakery. The bread cools down here, before it is packed and sent to the frost storage.

The cooling belt has changed its appearance after a safety assessment of the bakery. To make sure that nothing is caught by the wire mesh of the belt, it has been covered by special fittings. For now, the belt has been covered all places where it runs close to employees and over time, the entire belt will be covered. Kohberg has thus eliminated the risk of jammed fingers and the working place has become even more safe.



BLUE LIGHT ON TRUCKS PREVENTS ACCIDENTS

The bakery trucks have been fitted with lights which light up the ground 4-5 meters in front of the vehicle. Pedestrians are thereby warned that the truck is approaching and this will avoid collisions.

When a blue cone of light is sweeping over the bakery floor the staff knows that a truck will approach 4-5 meters behind the light. Blue Light is thus a safety precaution ensuring that pedestrians are not surprised by a truck and thus minimizing the risk of collisions.

An advantage of the blue cone of light is that the light is seen before the truck moves around a corner. The cone of light points to the driving direction of the truck and pedestrians are therefore also warned if they are behind a reversing truck.

Kohberg is constantly working to separate pedestrians and vehicles in the bakery and two trucks were fitted with Blue Light in October 2017. The experiences are very good and the bakery plans to have the safety light fitted on all trucks.

Blue Light prevents accidents in the bakery and takes off the pressure of the driver who has previously been afraid to collide with his or her walking colleagues.



PRODUCT

FOOD SAFETY AND CERTIFICATES

In 2017 Kohberg received for the first time the BRC Food Certificate of the British Retail Consortium used by food manufacturers exporting to Great Britain and the rest of the world.

BRC Food Certificate is considered one of the certificates with the highest demands on food manufacturers concerning both management, product safety, hygiene, maintenance and education of staff.

The overall goal of the BRC Food Certificate is to ensure the health of the consumers and through our co-operation with BRC we have been going through and described all our procedures and work processes.

One of the focus areas of BRC is food safety and we have carried on this focus in a food safety plan where we in 2017 and in 2018 will invest in equipment to increase both safety and hygiene.

The plan is among other things to replace our metal detectors with x-ray equipment. This means that we will x-ray our products to find foreign objects which have been added to the bread via the ingredients - e.g. pebbles which are not discovered by a metal detector.

By end 2017 we have x-ray devices on two rye bread lines - and we already see a decrease in customer complaints. We plan to implement x-ray on all lines and in 2018 we will also work on a hygiene plan with focus on the indoor environment. By using sophisticated filters, we will keep the air in the bakery even cleaner, thus increasing the shelf life of our products.

THE DANISH WHOLE GRAIN PARTNERSHIP - A SUCCESS STORY

Kohberg is an active partner in the efforts of the Danish Whole Grain Partnership to promote public health, encouraging Danes to increase their consumption of whole grains. Choosing whole grains is one of the official dietary guidelines.

For a number of years, we have, together with health organisations, the Danish Veterinary and Food Administration and food companies, focused on encouraging Danes to increase their consumption of whole grains.

Each of us contributes with our own strengths and competencies. Together, we have achieved unique results that we could not have reached on our own. Since the founding of the Danish Whole Grain Partnership in 2007, a total of 800 products have been developed that meet the requirements for displaying the whole grain logo and Danes eat in average 63 grams of whole grains per day.

Kohberg continuously introduces new and healthier products with the campaign label to promote healthier consumer choices. The label 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.

27 of our products are labelled with the whole grain label and whenever we launch new products in the future we will consider whether the product is suitable for containing a high percentage of whole grain and thus meeting the criteria of the whole grain label.

— ” —

Danish Whole Grain Partnership have been successful in encouraging Danes to increase their consumption of whole grains. In less than 10 years, we have succeeded in doubling the Danes' whole grain intake. I am unaware of any similar prevention initiative in the world that has been as successful as this partnership,

- Gitte Laub Hansen, Project Manager at the Danish Cancer Society.

HEALTHIER FOOD

- THE KEYHOLE INITIATIVE

With the 'keyhole symbol'² Kohberg helps consumers identify healthier food products within a product group.

Kohberg is working actively with increasing the number of products labelled with the 'keyhole symbol' which is a label identifying healthier food products within a product group.

In 2017, most of our branded product range in the retail market was labelled with the keyhole and whole grain label. Also in our products intended foodservice, such as sandwich bread and burger buns, we continuously focus on supplying healthy alternatives with the two labels.

COELIAC DISEASE

- WITHOUT GLUTEN AND WHEAT

At Kohberg, we want to bake to everybody - also persons who do not tolerate normal bread. Therefore, a number of our products are baked without gluten and wheat and are labelled with the logo of the Danish Celiac Society.

Around 50,000 Danes are suffering from the coeliac disease and they do therefore not tolerate gluten and wheat. In 2017, Kohberg introduced the series 'GlutenFRI' (without gluten) to foodservice market. Further to being gluten free, bread and cakes are baked without wheat and lactose. The label from the Danish Celiac Society shows our consumers that Kohberg is serious about product safety.

DANISH CELIAC SOCIETY

The safety requirements for our gluten free products are extremely high, as even a tiny bit of flour dust or crumbs can cause illness with persons with coeliac disease. Kohberg's gluten free products are therefore produced in a 100 % gluten free bakery in Ireland. In this way, we make sure that everybody with coeliac disease can eat these products without a fear of getting sick³.

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

3) <https://www.coeliaki.dk/dk/annoncering-samarbejde/>



SUPPLY CHAIN

SUPPLIER CODE OF CONDUCT

An acceptance of our Code of Conduct is 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 does not perform audits to confirm that our suppliers are actively living up to these standards, we do perform audits to ensure product quality and food safety, when necessary. The main reason for not auditing our suppliers according to our 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 has almost no suppliers located in high risk countries. For instance, less than 5 % of our purchases of ingredients 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, fulfils the Danish legislation concerning human and labour rights. We are furthermore against all forms of corruption and do not accept the use of it.

100 %

SUBSTAINABLE PALM OIL



THE END OF CONVENTIONAL PALM OIL

Kohberg uses solely certified segregated palm oil and all of our bakeries have phased out conventional palm oil.

Through our Code of Conduct Kohberg has a focus on what takes place further down our supply chain. One of our focus areas is palm oil and from having used around 20 % segregated certified palm oil (SG) in 2016 we have increased our effort to using 100 % segregated (SG) palm oil in our production in 2017. We are proud of this effort and will continue this work.

Kohberg Bakery Group A/S became an ordinary member of the 'Roundtable on Sustainable Palm Oil' (RSPO) initiative on 4 December 2012 and since then we have worked on replacing our consumption of conventional palm oil by RSPO certified palm oil. We succeeded 100 % in 2017.

Segregated (SG) palm oil is certified all the way through the supply chain. Two of our bakeries have been certified since 2014, and as from 2017 this goes for our entire production. This certification is specifically demanded by the market and since this level also allows for a stable delivery of palm oil to the production, we have chosen this. We are of course able to produce 100 % without palm oil if our customers require this.

We also use solely segregated oil elsewhere in production – among other things for our cutting oil and belt oil. These initiatives were also implemented during 2017.

Learn more about Kohberg and RSPO: <https://www.rspo.org/members/1904/Kohberg-Bakery-Group-AS>



ENVIRONMENT & CLIMATE

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.

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

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.



— ” —

I 2017 we invested in new refrigeration equipment to reduce the energy consumption used per cooling unit in our bakery in Haderslev. This enables us to phase out the use of freon and replace it with CO₂. The motor in the cooling compressor reduces the energy consumption by 4 % compared to the previous motor. In our bakery in Bolderslev we have replaced a motor in a central cooling unit, which also reduces our use of energy in the unit.

SOURCING

A PRINCIPLE OF SUBSIDIARITY
Our general view on sourcing is based on a principle of subsidiarity. We like to be close to our suppliers, also in terms of geography. Over the past years, we have reduced the number of suppliers with up to 15 % to make sure we have a close connection with the suppliers we trade with. At the same time this enables us to reduce the numberr of lorries on the roads.

When it comes to rye, we only buy Danish rye - by doing so we meet market demands and at the same time it secures that we do not use unnecessary transport of the ingredient, we use the most of.

INGREDIENTS
All our flour is certificated and free from glyphosate and straw shorten-ing remedy and it is grown on fields that are not utilizing sludge from cities. We require of our suppliers that rye and wheat are not sprayed with herbicides containing glyphosate.

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.

LOGISTICS
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 to the extent possible and generally increases the fill rate of trucks thereby saving emissions from transpor-tation. We have sustained our target to mainly use Danish grown rye which reduces the requirement for transportation to a minimum from an environmental (CO₂eq) perspective

PRODUCTION

Overall, we have over the recent years built up a production system with less energy consumption. This counts for both our production facilities in Bolderslev, Taastrup and Haderslev.

As part of our target of reducing our total emissions of CO₂eq 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. And we have reached our targets.

REDUCING WASTE
In previous years, we have identified the potential in waste reduc-tions and in 2017 this has also been one of our focus areas - when we reduce our waste we also reduce our use of energy. Even if this target is not currently part of our commitment to the UN Global Compact and Communication of Progress, we still feel that it is important to mention it in the report.

We strive to minimize our generation of wastewater discharges and waste in all forms. When we reduce the amount of technical waste and discardings it leads to a reduced consumption of raw materials, elec-tricity and energy in general. For 2018 we aim for further reductions.

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

DISTRIBUTION

LESS EMPTY LORRIES
Co-distribution with other bread manufacturers have over the years been a focus area for us and an initiative we have taken to reduce our use of diesel etc. to reduce the environ-mental impact of too many lorries on the roads.

In 2017 we went new ways and began co-distribution with other types of producers and companies. It is our goal that our lorries will not just carry air when we deliver our bread, and we will continue with this work over the years to come. We have further worked to reduce our stop prices as these are clear indicators on reducing our consumption of time and diesel. We are evaluating the routes to take to avoid extra kilometers and we have reduced the number of lorries and fill them to the extent possible. In every possible way, we are trying to bring the sales as close to the production as possible.

For just one supplier of diesel for transports we have reduced our consumption by 26,000 litres, corresponding to 6 % of our entire con-sumption. Our total reduction in 2017 is 4.2 %, cf. table 3, and it is our goal to reduce it by further 10 % in 2018.

71 % of our fresh bread was co-distributed in 2017 and this is an increase of 3 % compared to 2016.

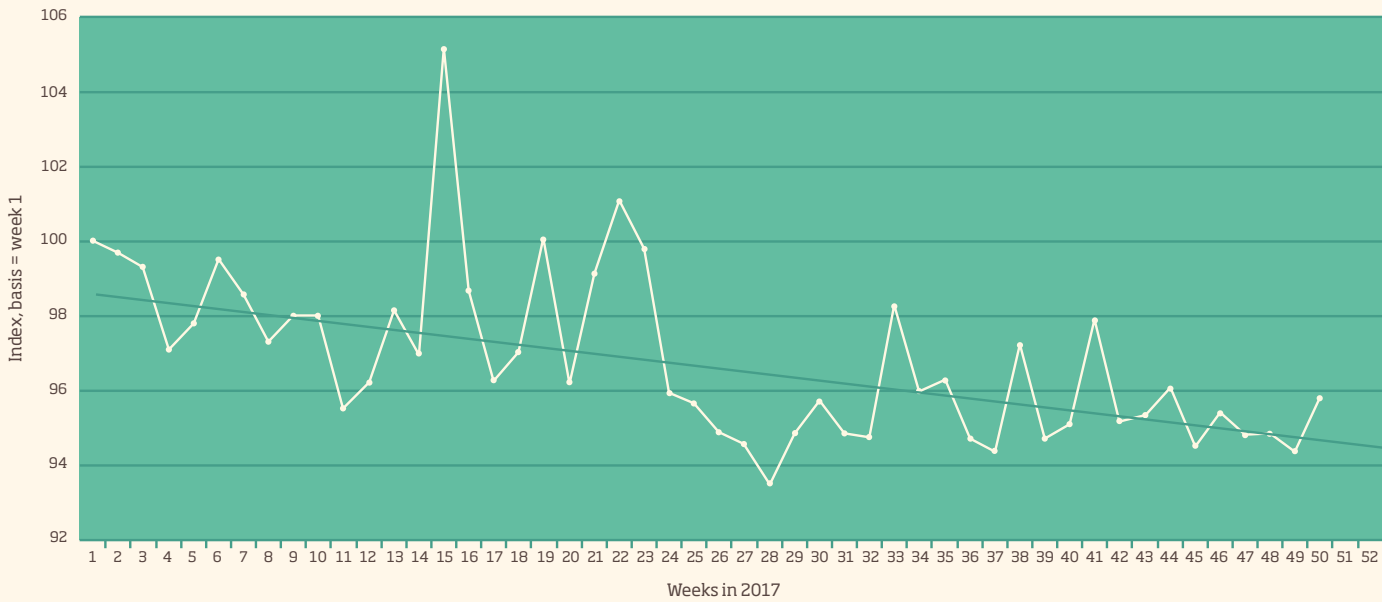


Table 3: Development in our cost per stop in 2017 - reduced prices also indicates reduced consumption of time and diesel

OUTCOMES

MEETING OUR TARGETS - REACHING OUT FOR NEW GOALS

We have managed to achieve and sustain all targets – even before planned. That is a result of a dedicated effort to achieve our goals during recent years. We have taken a number of actions in relation to people & health, environment & climate.

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. 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 in 2017 we managed to secure that 100 % of the palm oil we use is segregated palm oil.

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. We have also maintained our achievements on reducing our total emissions of CO₂eq. by 20 % per kg finished product.

FUTURE PERSPECTIVES

Kohberg has been part of the UN Global Compact for almost 10 years by now and the targets we defined from the beginning have been fulfilled as described in this progress report for 2017. With 2017, we therefore draw a line for the targets set in the past. It is time to set new targets, see new ambitions and reach for new stars when it comes to people & health, environment & climate. In 2018, we will set new targets when it comes to living up to the ten principles of UN Global Compact. We look forward to reporting on our new initiatives in 2019.

REFERENCES

- DEFRA, 2014: UK statement on sustainable palm oil – 2 year on progress report, Department for Environment Food & Rural Affairs, London.
- IPCC, 2013: Climate Change 2013: The Physical Science Basis. Contribution of Working Group I to the Fifth Assessment Report of the Intergovernmental Panel on Climate Change [Stocker, T.F., D. Qin, G.-K. Plattner, M. Tignor, S.K. Allen, J. Boschung, A. Nauels, Y. Xia, V. Bex and P.M. Midgley (eds.)]. Cambridge University Press, Cambridge, United Kingdom and New York, NY, USA, 1535 pp.
- Nordic Ecolabelling, 2013: About Nordic Ecolabelled Bakeries and Bread: Background to ecolabelling. Consultation version 1.0, Denmark, Finland, Iceland, Norway and Sweden.
- The Greenhouse Gas Protocol (GHG Protocol), 2004: A Corporate Accounting and Reporting Standard, Revised Edition, World Business Council for Sustainable Development (WBCSD), Conches-Geneva and World Resource Institute (WRI), Washington.





Kohberg Bakery Group A/S, Foodservice, Sverigesvej 3, DK-6100 Haderslev
+45 73 64 64 00, Foodservice@kohberg.com, kohberg.com



Bager for dig