



Danish Crown

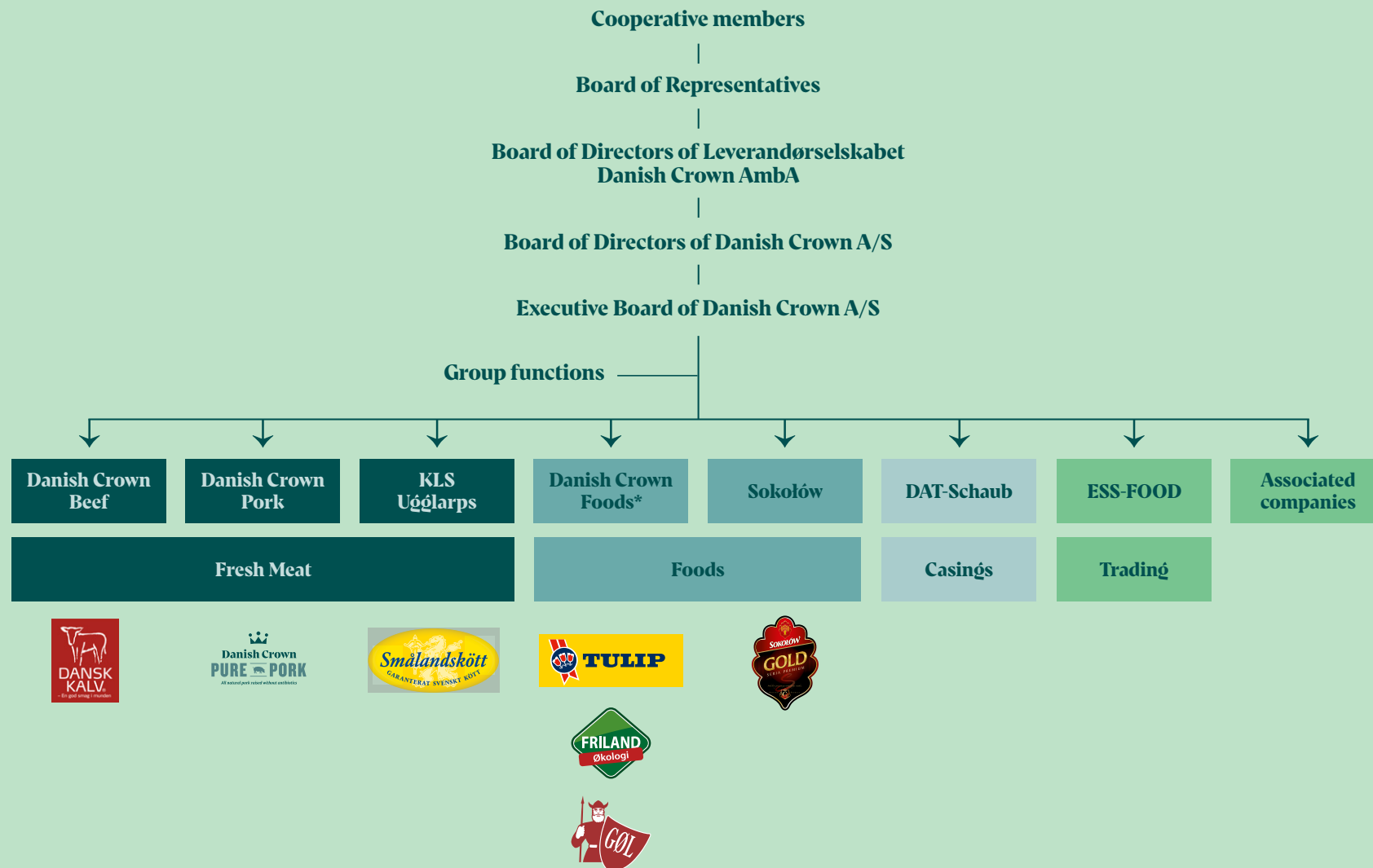
Together towards sustainable food

Sustainability report
2018/19





Danish Crown's organisation



*Name being changed from Tulip Food Company

Our narrative

Just like the crops in the fields continuously change, at Danish Crown we tirelessly refine and improve how we work, from farm to fork, to ensure good, safe food for people around the world to enjoy. Our history goes back to 1887 and the Danish cooperative movement, and responsibility towards society, our employees and our owners, the farmers, is in our genes.

As a global leader in sustainable meat production, we have big obligations; not just to deliver, but constantly to explore new opportunities. We still have a long way to go and face many challenges. But we remain committed to improving how food is produced – with respect for animals, people and the environment. In this quest, we are prepared to challenge ourselves, our industry and the customers.

This journey is not ours alone, but we promise to be the leaders of change. Only together can we reach our goal of a more sustainable food production by fundamentally changing the ways in which we both produce and consume food.


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According to climate researchers, meat production is having a big impact on the planet, our climate and the living conditions of future generations.

This is a fundamental challenge for all meat producers, including Danish Crown.

We are at a crossroads. We can either carry on producing meat and food as we do now. Or we can start doing things differently – by ensuring that our farmers and our supply chain take a more sustainable approach to their production.

At Danish Crown we have chosen the latter option. Towards a more sustainable future for food.



About this report

The Sustainability report constitutes Danish Crown's annual Communication on Progress to the UN Global Compact and covers the financial year 2018/19 from 1 October 2018 to 30 September 2019. The report describes our sustainability strategy and activities for the past year in view of the issues that are most material to Danish Crown and our stakeholders.

The report is an integral part of the management's review of the Danish Crown Annual Report 2018/19, and with this document, we fulfil the requirements of section 99 a and b of the Danish Financial Statements Act. See our reporting principles on pages 42-45.

As part of our reporting obligations, we also issue a Statement on Modern Slavery Act 2018/19, which is available at www.danishcrown.com.

We welcome and value any comments or suggestions you may have to this report, our strategy and performance to help us improve and meet your expectations.

Please send your feedback to:
sustainability@danishcrown.com

During 2018/19, we divested Tulip Ltd. In our annual report, we show Tulip Ltd separated from our continued business. For this reason, all figures in the Sustainability report are exclusive of Tulip Ltd.



3 Our narrative

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1 Reports





Farmers leading the way on the Climate Track

In March, Danish Crown launched its new and ambitious climate goals and its vision for climate-neutral meat production. Since then, things have moved fast – on the farms and in our dialogues with the outside world.

I am extremely proud of the way that Danish Crown's cooperative members have welcomed the Group's climate ambition and vision. Our farmers have embraced our climate goals and set out on a shared journey of development through our Climate Track certification programme. The programme helps individual farmers to identify opportunities for becoming more sustainable and set specific targets for minimising the climate impact of their operations. The whole thing is done on a voluntary basis. So far, we have certified 950 pig farms, which produce around 90 per cent of the pigs supplied to our abattoirs in Denmark. That is strong proof that our Danish farmers can, and want to be sustainable.

Part of the decision-making process

When it comes to political, consumer and NGO-oriented agendas, important stakeholders are increasingly looking to the agricultural sector to contribute to the debate and to take an active role in identifying solutions to key issues. We welcome this opportunity and embrace the challenge: only through dialogue and cooperation will we be able

to prioritise the tasks that are of importance to our green development. As farmers, we are delighted to be involved. We want to contribute as constructive partners and to be part of the solution. We believe that as farmers, we can play a huge role in meeting the environmental challenges.

The fluctuating supply of slaughter pigs in Denmark is also proving to be quite challenging for us. It puts additional pressures on the industry and has a significant impact on the resources available for farmers to invest in green developments.

We have to unite in our efforts to find solutions and ways forward that can accelerate a truly sustainable development. Rather than pushing problems around, we need to find solutions that work. The entire value chain is facing a huge challenge, which we must address together. Therefore, I want to encourage customers and consumers to remember that the best way to support a sustainable development is by buying sustainable products. This is the only way that farmers and the agricultural sector as a whole will be able to finance the necessary changes and investments.


Erik Bredholt, Chairman

“
As farmers, we are motivated by, and take pride in being involved. We want to contribute as constructive partners.
”





A brave leap forward for sustainable meat



Danish Crown is currently taking significant steps to transform our company and prepare it for a future that is all about sustainability. Our climate ambition, which we announced in March 2019, has been well received and attracted considerable interest among all our stakeholders in Denmark and abroad. With the launch of our new brand purpose and visual identity in September 2019, we have shown that sustainability is in the company's DNA – and that we mean business.

Alongside our ambitious goals, we have also started a huge change process internally. Our plan involves innovation and transformation in all parts of the organisation. And we are busy implementing new ways of producing, sourcing, selling and marketing meat that can support our development.

Our plan for reaching our 2030 goal of halving the climate impact of our meat production is clear, and we are positive that we can deliver on it. Our vision for climate-neutral meat production in 2050 will, of course, depend on innovation, technology, knowledge and the scaling of new and as yet unknown solutions – all of which will involve contributions from other parts of society as well. However, I am optimistic and impressed by the rate at which proposals, solutions and constructive thoughts have started to flow across sectors, countries and in political announcements.

There is a real need for systemic thinking across industries and sectors of society to make sure that we focus and invest wisely in the most effective solutions. At Danish Crown, we base our actions on available data about environmental and climate-related impacts in our value chain. We welcome dialogue and further research that can document the climate impact of our activities – as a company and as part of an industry. There should be no doubt that we agree with the main conclusion that humanity's total consumption of goods, services and food is a burden on the planet, and that the production of meat is an important factor in this respect.

We must all shoulder the responsibility of ensuring that the sustainable transition is successful. So I call on all our stakeholders to help push consumption in a sustainable direction. When it comes to meat, this means eating meat in responsible quantities, choosing sustainable products and not focusing only on price. That is the only way we will be able to offer consumers the most sustainable products and production methods. This goes for us as individuals and for those who decide what products make it to the supermarket shelves.

Sustainability also has a bearing on the social challenges that we will continue to help solve. With our focus on creating good jobs for everyone, we are

moving people out of unemployment and into a working community with good job prospects.

In the coming years, we will be extremely busy delivering high-quality products and driving the change we are creating. I am proud of the shift we have set in motion, and I am particularly proud of the way the Danish farmers, who own our Group, have demonstrated their commitment to overcoming the challenges involved. Nearly all our farmers have now committed to our climate goal and defined their own action plans as part of our new certification programme. This is modern activism in its most constructive form. Now we just need to get the rest of the value chain on board, so we can work together to guarantee sustainable meat for consumers.

“
Our sustainability strategy draws on the UN's 2030 Agenda for Sustainable Development and the 17 Sustainable Development Goals. We continue to support and align the way we conduct our business with the 10 principles of the UN Global Compact.
”

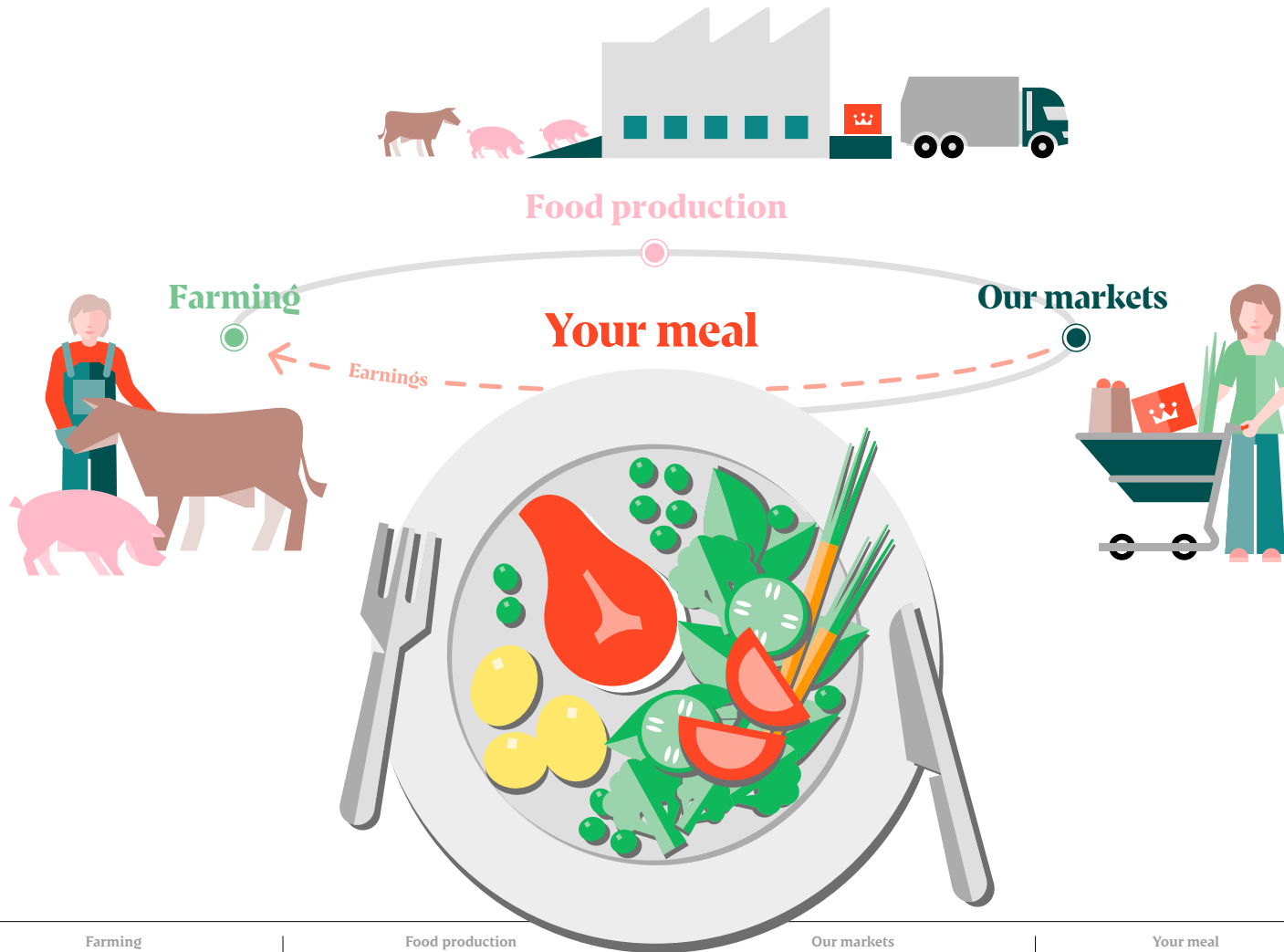
Jais Valeur, Group CEO



2 About Danish Crown



Our business model



Our business structure



Every day we deliver food all the way from our farmers to the plates of consumers via the cold counter. We receive pigs and cattle from our farmers, slaughter the animals and sell the fresh or processed meat to customers across most of the globe.

6,426 farmers are cooperative members of Danish Crown – they own the company. As a cooperative, the company is obliged to accept the animals supplied by our owners. Our job is to process and sell the meat on the world market in a way that ensures that the farmers are paid the highest possible price for their supplies.

As a cooperative member, you are therefore certain of being able to sell your products to the highest-paying markets in the world. Most of Danish Crown's earnings are paid back to the farmers, partly as payments for the animals they have supplied and partly as supplementary payments at the end of the year.

Danish Crown engages in the following four main activities:

- Agriculture, which covers the rearing of animals by farmers
- Fresh Meat, which covers slaughtering of animals, processing of the meat and sales of fresh meat
- Foods, which covers the processing and packaging of meat for direct consumption
- Casings, which covers the use of the by-products of pig production

Our products are sold to retailers, food producers, the foodservice segment and pharmaceutical industry in approximately 130 countries worldwide.

6,426 Danish farmers supply pigs and cattle to us while also owning the company

Cooperative: Most of the profit generated by the company is distributed to our owners in the form of a supplementary payment at the end of the year.



22,979 employees process the raw material supplied by our farmers into a whole range of fresh meats, cold cuts, snacks and ready meals.

Quality: Quality and food safety are at the heart of all the work performed by our employees.



Danish Crown's products are sold all over the world to retailers, food producers, the foodservice segment and the pharmaceutical industry.

Exports: As one of the world's largest exporters of pork, we have built strong relations with customers all over the world.



Every year, we deliver food for billions of meals for consumers all over the world.



The needs of our consumers are the main focus of our innovation and product development.

Financial highlights

Revenue in the world



Deliveries: pigs and sows

19 million



Deliveries: cattle

0.9 million



Employees
22,979

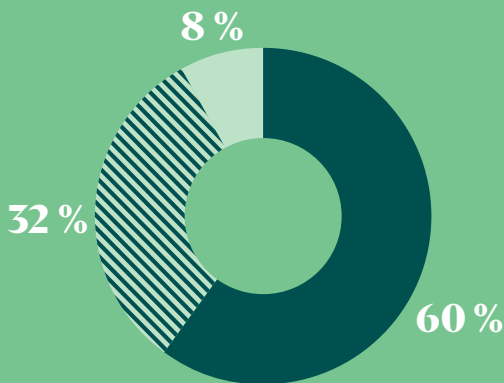
Revenue, DKK

57 billion

EBIT, DKK

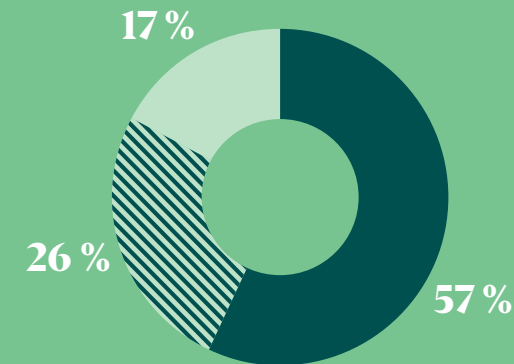
2.5 billion

Revenue share



Fresh Meat Foods Casings

EBIT share



Fresh Meat Foods Casings

Cooperative
members
6,426



Sustainability highlights



Feed efficiency
feed units per kg gain,
Danish pig

2.63



COD in waste water
kg per produced tonne

8.7

CO₂ emissions
kg CO₂ eq per kg Danish pork

2.82

Lost-time accidents
per 1,000 FTE

28

Animals: Organic, free-range and
raised without antibiotics

785,000



Carbon emissions
408,865

tonnes CO₂ from own facilities and operations (scope 1 and 2)

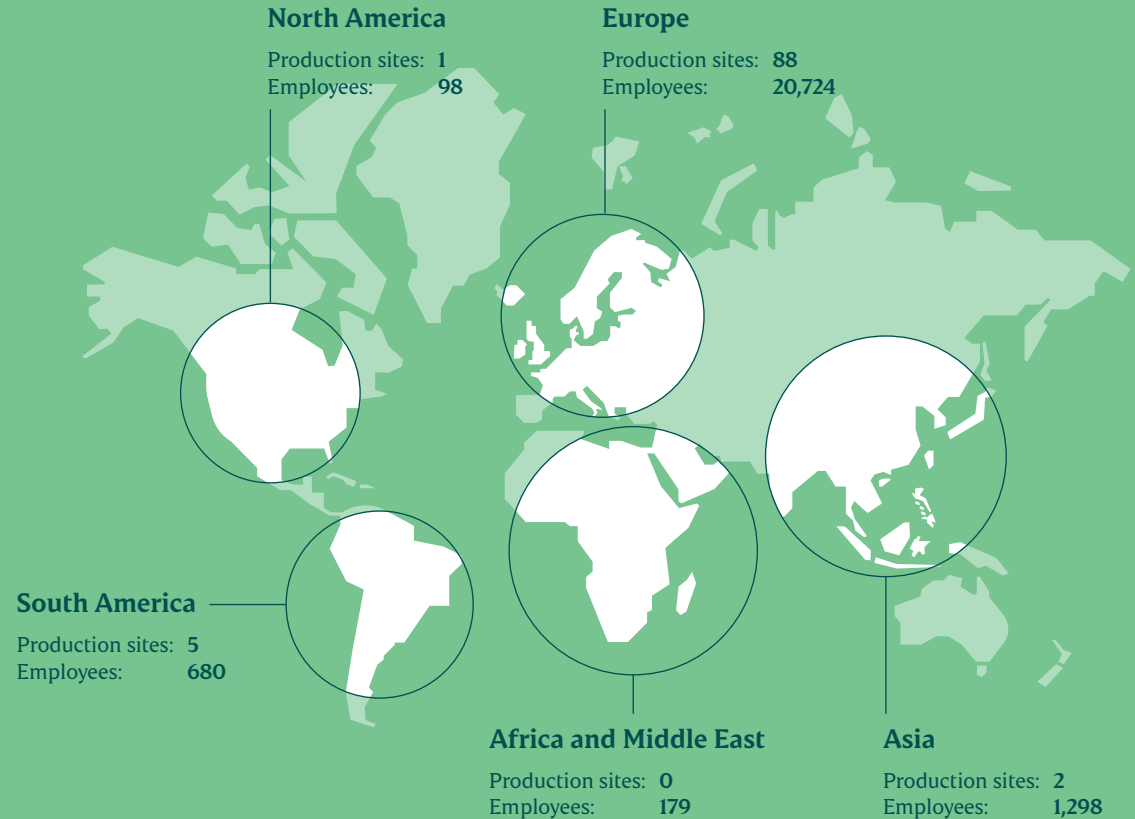


Water withdrawal
1,000 m³

10,437

Energy consumption
MWh

1,330,727



3 Our sustainability strategy and governance



Sustainability issues from farm to fork

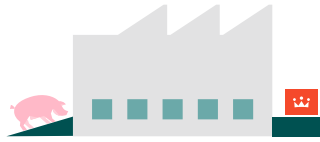


As a global food company, we recognise our responsibility to address sustainability issues in our entire value chain and to contribute to further progress towards a sustainable future for our industry.

Material sustainability issues in our value chain



Farming Our owners and livestock



Food production Our business activities



Markets Our customers and consumers

Driving transformation

- Climate change
- Biodiversity loss
- Protein sources
- Use of antibiotics

- Climate change
- Circular bio-economy and food loss
- Inclusion and diversity

- Food waste
- Meat consumption
- Healthy and nutritious diets

Responsible business conduct

- Feed efficiency
- Animal welfare
- Animal health
- Emissions of nutrients and odours
- Use of water and energy
- Human and labour rights
- Business ethics

- Food safety
- Use of water, energy and other natural resources
- Use of chemicals
- Organic carbon in waste water
- Non-organic waste
- Health and safety
- Human and labour rights
- Business ethics and anti-corruption

- Labelling and marketing
- Product range
- Packaging and plastic

As a cooperative owned by farmers, the values and traditions of good farming practices and modern food production are deeply ingrained in our business. This implies resource-efficient food production with minimum waste and minimum emissions. However, it is a fact that agriculture and food processing in general exert pressure on the planetary boundaries. As a global food company, we recognise our responsibility to address sustainability issues associated with risks and adverse impacts in our value chain.

We group our material sustainability issues into two categories: issues where we see a need and an opportunity for driving transformation towards a sustainable future for our industry; and issues that we address through principles of responsible business conduct.

Our materiality assessment is part of our annual mapping of sustainability risk at our production sites as well as our ongoing engagement with stakeholders to identify the challenges faced by our industry.

This includes our MEAT2030 multi-stakeholder forum launched in September 2018. The purpose of this forum is to share knowledge and develop new solutions for environmentally, socially and economically sustainable food production.

Sustainability strategy



Under the new heading *MEAT 2030*, our sustainability strategy covers the entire value chain and sets the direction for how we will contribute to the UN 2030 Agenda for Sustainable Development.

Our sustainability strategy builds on the issues that we have identified as material to Danish Crown and to our stakeholders. It is our overall ambition to contribute to promoting and fulfilling the UN 2030 Agenda for Sustainable Development and the Sustainable Development Goals (SDGs).

Our strategy has five main focus areas that support selected SDGs and address the main challenges which we need to overcome to ensure the long-term development of our business. It covers our ongoing efforts to minimise risks and adverse impacts in our value chain as well as our initiatives for further progress towards sustainable agriculture and food processing.

Launched in September 2017, the strategy is designed to accommodate the needs of our business as well as developments in our markets and in society at large. We are now two years into the strategy period, and in 2019, we have set new and ambitious sustainability goals which also incorporate our new climate ambition.



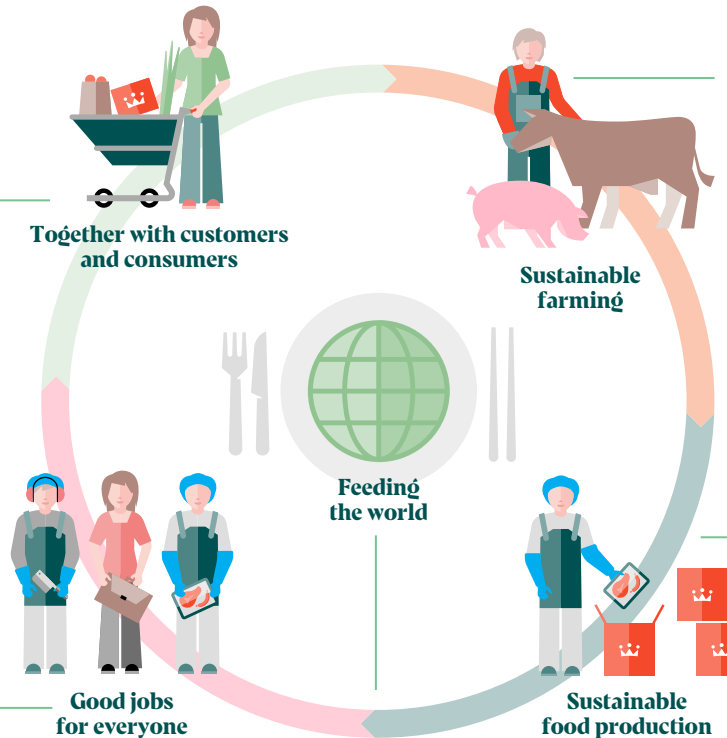
Together with customers and consumers

We will earn customers' and consumers' confidence and meet their needs with healthy, safe and responsible products.



Good jobs for everyone

We will attract and retain people with good jobs and opportunities for everyone.



Sustainable farming

We will build a strong future for our farmers.



Sustainable food production

We will operate a sustainable, efficient and high-performing food production.



Feeding the world

We will find a way to feed the world with sustainable meat and protein.



Our SDG commitments

We have specified our contribution to the Sustainable Development Goals (SDGs) and the associated targets in our strategy towards 2030. Thus, we have added SDG 4 on quality education and SDG 6 on clean water and removed SDG 3 on health because the definition of healthy food is already included in SDGs 2 and 12.

TARGET 2-4

2 ZERO HUNGER

SUSTAINABLE FOOD PRODUCTION AND RESILIENT AGRICULTURAL PRACTICES

Target 2.4
Influence food production systems and implement resilient agricultural practices.

TARGET 4-4

4 QUALITY EDUCATION

INCREASE THE NUMBER OF PEOPLE WITH RELEVANT SKILLS FOR FINANCIAL SUCCESS

Target 4.4
Contribute to increasing the number of youth and adults who have relevant skills, including technical and vocational skills, for employment.

TARGET 6-4

6 CLEAN WATER AND SANITATION

INCREASE WATER-USE EFFICIENCY AND ENSURE FRESHWATER SUPPLIES

Target 6.4
Increase water-use efficiency and ensure sustainable withdrawals of freshwater.

TARGET 8-8

8 DECENT WORK AND ECONOMIC GROWTH

PROTECT LABOUR RIGHTS AND PROMOTE SAFE WORKING ENVIRONMENTS

Target 8.8
Protect labour rights and promote safe and secure working environments for all workers.

TARGET 12-2

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

ACHIEVE SUSTAINABLE MANAGEMENT AND EFFICIENT USE OF NATURAL RESOURCES

Target 12.2
Achieve sustainable management and efficient use of natural resources.

TARGET 12-3

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

HALVE GLOBAL PER CAPITA FOOD WASTE

Target 12.3
Reduce food waste at the retail and consumer levels and reduce food losses along production and supply chains.

TARGET 12-5

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

SUBSTANTIALLY REDUCE WASTE GENERATION

Target 12.5
Reduce waste generation through prevention, reduction, recycling and reuse.

TARGET 13-1

13 CLIMATE ACTION

STRENGTHEN RESILIENCE AND ADAPTIVE CAPACITY TO CLIMATE RELATED DISASTERS

Target 13.1
Strengthen resilience and adaptive capacity to reduce negative climate impact.

TARGET 15-9

15 LIFE ON LAND

INTEGRATE ECOSYSTEM AND BIODIVERSITY IN GOVERNMENTAL PLANNING

Target 15.9
Support the integration of ecosystem and biodiversity values into farming practices.

TARGET 17-17

17 PARTNERSHIPS FOR THE GOALS

SYSTEMIC ISSUES

ENCOURAGE EFFECTIVE PARTNERSHIPS

Target 17.17
Drive partnership projects to accelerate and overcome high impact challenges for sustainable meat production.



Our climate ambition

*We envision a future where our meat production will be climate-neutral.
The first milestone is to halve the carbon footprint from meat by 2030.*

Climate change is a global crisis, and the Intergovernmental Panel on Climate Change (IPCC) has made it clear that current efforts are insufficient to change our course. This year, IPCC has highlighted the severity of the impacts we are already experiencing and stressed that keeping the increase in global warming well below 2°C will require that all sectors – including agriculture and food – reduce their greenhouse gas emissions, and that we achieve net-zero carbon emissions by 2050. This calls for radical changes in global land use, agriculture and human diets, which, in turn, pose a challenge for the food industry at large. While meat is part of many people's diet worldwide and a source of vital protein, meat production also contributes to climate change, and this must be addressed.

To respond to the urgency, Danish Crown and Danish Crown's owners have intensified our commitments to combating climate change. Our ambition is to become the world's most sustainable and successful meat producer. In March 2019, we launched our new climate vision which commits to achieving a climate-neutral value chain by 2050.

Climate neutrality implies that we take action to remove as much carbon dioxide from the atmosphere as we put into it. The overall goal of carbon neutrality is to achieve a zero carbon footprint. It is still uncertain which solutions will be the most suitable and efficient for our industry. However, with our vision, we have defined the challenge we are facing towards 2050 and our commitment to address it, by working with partners to discover new innovative solutions.



2030 goal

By 2030 we will reduce the carbon footprint of our meat production by 50 per cent.

2050 vision

In 2050 we envision a future where our meat production will be climate-neutral (net-zero).

Distribution of carbon emissions from feed production to abattoir

CO₂ eq. per kg pork, Danish pigs 2016



In the production chain for Danish pork, farming accounts for more than 90 per cent of the climate impact. Farming includes feed production and manure handling, which by far account for the largest greenhouse gas emissions.

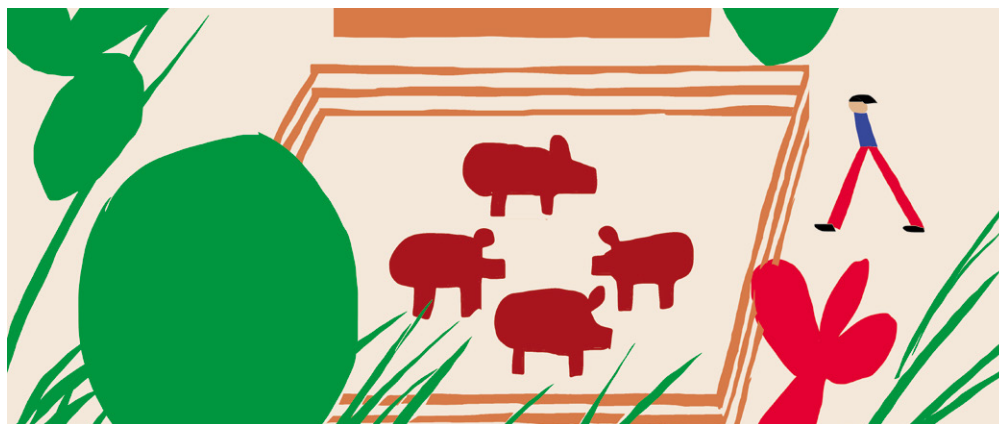
Read more about the carbon footprint and our efforts to reduce the climate impact from meat production on page 24.

Source: 'Grisekød - produktivitet og miljøpåvirkning år 2005 vs 2016 - Table 6, Department of Agroecology, Aarhus University, 2019. The report was prepared for Danish Crown.

Information on university reports

In June 2019, Aarhus University published a report on "the climate impact of beef and veal throughout the value chain compared with nutritional aspects in different dietary patterns". Following criticism of the university's collaboration with Landbrug & Fødevarer and Danish Crown A/S, the report was withdrawn in September 2019 (the report is no longer available). It was put forward that the preparation of the report did not live up to the principles of independent

research. Subsequently, other reports published by Aarhus University were also found to be questionable. In this context, Danish Crown has asked the Danish law firm Kammeradvokaten/Poul Schmith to assess our collaboration with research institutes, - especially regarding the beef report from 2019 but also in relation to reports from previous years.



Delivering the 2030 goal

For more than a decade, Danish Crown and our owners have been addressing the climate challenge, and our experience gives us a strong foundation to build on. The report 'Grisekød - produktivitet og miljøpåvirkning år 2006 vs. 2015' from Aarhus University shows that the climate impact of producing 1 kg of pork was reduced by 25 per cent between 2005 and 2016 – with agricultural operations accounting for 18 per cent. This reduction is mainly due to increased feed efficiency with higher production outcome per feed unit.

Optimising feed efficiency remains a key focus area for all our farmers. It is part of Danish Crown's sustainability certification for pig production, which helps our farmers identify opportunities for minimising their climate impact. The certification programme, which is called the Climate Track, was launched in March 2019, and we are currently

developing a similar programme for Danish veal production. Read more about the Climate Track on page 25.

To deliver on the 2030 goal we have also defined a number of cross-organisational projects that focus on energy efficiency improvements in food production and distribution as well as new opportunities for reducing our carbon footprint together with customers and consumers.

As we continue to detail our roadmap and implement new initiatives towards 2050, we are entering into a learning process that calls for flexibility and responsiveness. Some farms and business units may progress faster than others; and we may come across new knowledge and disruptive solutions that we have to take on board, if we are to move forward faster. The actions initiated towards 2030 will help us shape our long-term journey towards 2050.

Key actions towards the goal



Farming

Certification programmes including climate targets

Feed efficiency

Manure management



Food production

Energy optimisation

Green energy

Low-emission processes



Distribution

Low-emission transportation



Customers & consumers

Packaging

Food waste

2030 goal



Sustainability platform

Commitments

- UN 2030 Agenda for Sustainable Development and the Sustainable Development Goals
- UN Global Compact
- UN Guiding Principles on Business and Human Rights

Vision & strategy

- 2050 vision: Climate-neutral meat production
- Sustainability strategy: MEAT 2030

Policies

- Code of Conduct
- CSR policy
- Anti-corruption policy
- Diversity and inclusion policy
- Supplier Code of Conduct

Management processes

- Certification programme for sustainable pig production
- Groupwide environmental management
- Groupwide occupational health and safety management
- CSR risk and due diligence processes on production sites, acquisitions and suppliers
- Stakeholder forum: MEAT2030

Reporting

- Annual report
- Sustainability report (Global Compact Communication on Progress)
- Statement on Modern Slavery Act

Sustainability governance

Our sustainability platform and governance structure constitute the framework for realising our strategic ambitions and ensuring that we conduct our business in a responsible manner.

In addition to our support for the UN 2030 Agenda for Sustainable Development and the SDGs, Danish Crown has since 2011 been a signatory to the UN Global Compact principles and fully supports the UN Guiding Principles on Business and Human Rights. Through our policies and management processes, we aim to implement these principles within our business and supply chains.

We have strengthened our sustainability platform and introduced a Code of Conduct as well as a new diversity and inclusion policy. We have also developed a policy on anti-corruption which will be rolled out in 2019/20 and be accompanied by internal standards and practical advice on how to avoid facilitation payments and bribery.

Business integrity and legal compliance also form part of our Code of Conduct. In 2019/20, we will continue our compliance trainings and introduce an e-learning module on anti-corruption. We are also in the process of establishing a whistleblower function to strengthen our internal compliance culture.

As disclosed in last year's report, we have launched a strategic development project aimed at improving the quality of our sustainability data and KPIs. In 2018/19, we have defined and implemented group-wide data collection principles for a number of environmental and social indicators (see pages 30 and 35). We are continuing these efforts through the introduction of additional groupwide measures and the establishment of related baselines.



Key policy statements

Our CSR policy builds on the UN Global Compact principles:

Human rights

In all Danish Crown operations and activities, we respect human rights and avoid infringing the human rights of involved individuals.

Labour rights

Danish Crown is committed to ensuring healthy and safe workplaces for our employees and thus respect their right to just and favourable working conditions.

Climate and environment

Danish Crown pursues a sustained and systematic approach to environmental challenges and is committed to taking action to combat climate change and protect the environment.

Anti-corruption

As a responsible company, Danish Crown works against all forms of corruption.

Read the full policy at www.danishcrown.com

Roles and responsibilities

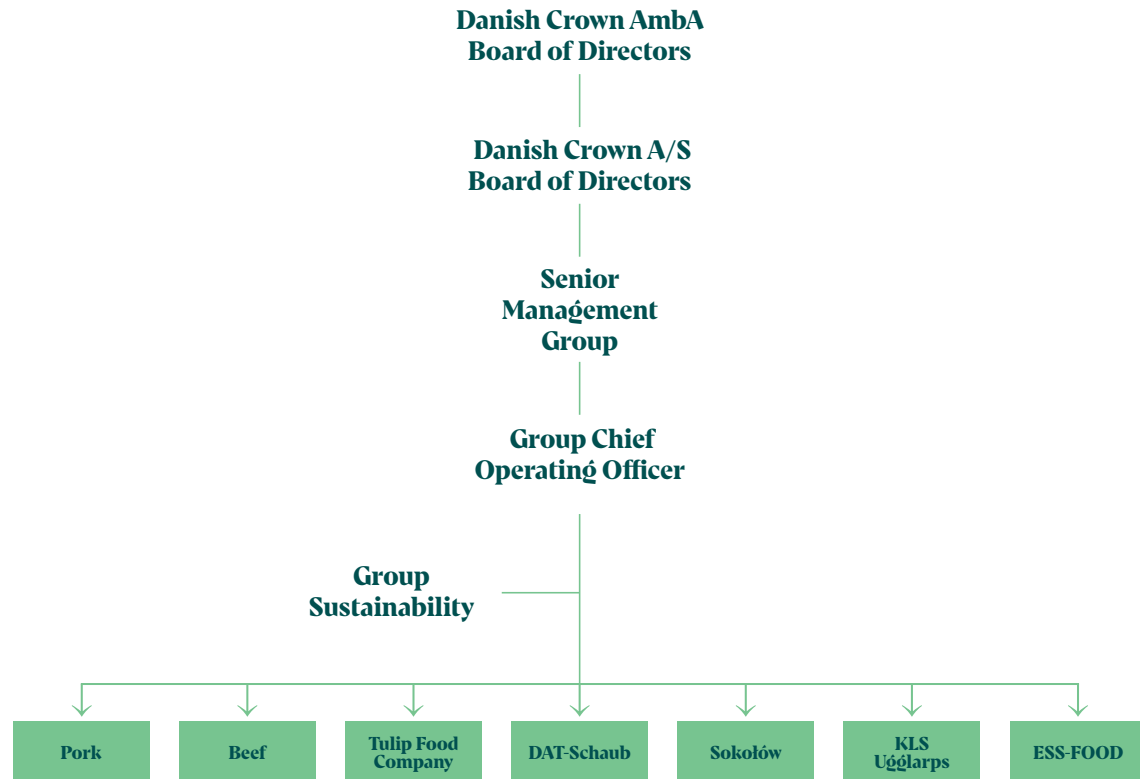
In 2019, we have reviewed and strengthened our governance structure in view of our climate ambition and sustainability strategy. The new approach is to facilitate the implementation of sustainability decisions into our core business through three levels of governance.

Our new Group Chief Operating Officer function is responsible for delivering on our sustainability strategy and our goal of halving our climate footprint per kilogramme of meat by 2030. This ensures a quick and agile decision-making process and progress in direct contact with all business units.

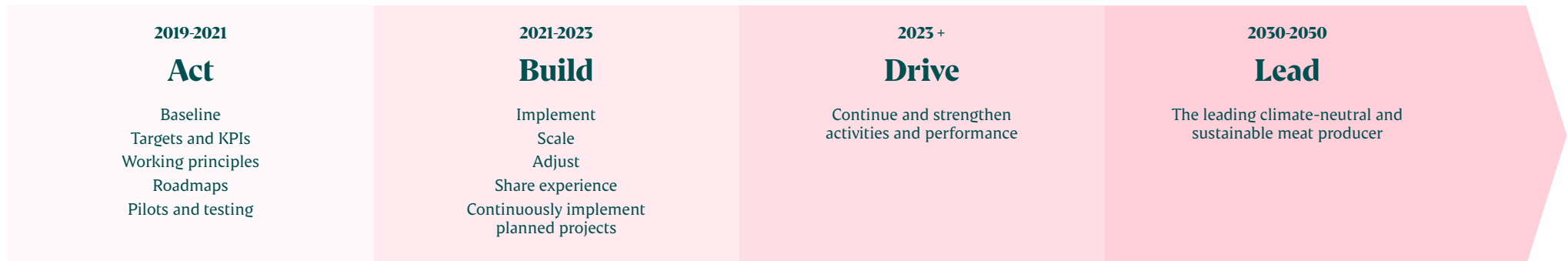
Decisions with groupwide, strategic or significant impact on the business will be shared in the Senior Management Group. This team is responsible for the 2050 vision, defines our strategic direction, prioritises engagements and reports to the Danish Crown A/S Board of Directors on our progress. Group Sustainability reports twice annually to the Senior Management Group on key sustainability issues as well as opportunities and challenges for progress.

Group Sustainability provides support for all governance levels and organises annual Business Review meetings with all business units to discuss the implementation of our sustainability strategy. In 2019, the function was strengthened through additional manpower and specialist expertise.

Sustainability governance structure



Timetable towards 2050





4 Status on our sustainability activities





Feeding the world

*Every day, we deliver vital proteins, nutrients and great-tasting food products to people all over the world.
Through partnerships and investments in innovation, we strive to make our products and processes more sustainable.*

In 2050, the world population is expected to reach 10 billion. That is 2.5 billion more than the current figure. This population increase will put a massive strain on the Earth's resources, ecosystems and climate. The UN estimates that the combination of population growth, changed dietary habits and a growing global middle class will double the demand for protein.

Naturally, Danish Crown sees meat as an important source of protein. We believe that by producing meat in a clever and sustainable way, it will be possible to continue to eat meat in the future. We also believe that a balanced diet, consisting of plant-based foods combined with high-quality meat produced sustainably in low greenhouse gas emission systems, will help us to limit climate change.

With our new climate vision and goals, we have reconfirmed our commitment to sustainable meat production. Our ambition is based on extensive and interdisciplinary collaboration. Only by joining forces across sectors and industries can we develop the solutions that will make it possible to feed more people while using fewer of the world's resources.

At our MEAT2030 conference in 2018 in Copenhagen, Denmark, we experienced an overwhelming interest in discussing future prospects and partnering with us to address the challenges facing the food industry. As a follow-up to this event, in 2017/18 we intensified our engagement with other companies, research institutions and non-governmental organisations with a view to sharing knowledge and ideas on how to improve our products and processes so they become sustainable.

Our partnerships range from collaboration with peer companies on how to work strategically with the SDGs to participate in research projects that transform the industry. Our latest partnership is the Danish Alliance for Responsible Soya, launched in September 2019. As one of the founding members, we have committed to support and accelerate progress towards the sourcing of responsibly produced soy. That is just one of the steps we are taking to reduce the climate-heavy burden of soy protein production. More actions will follow.

Strategic
priorities

**MEAT2030
dialogue
and
partnerships**

Activities 2018/19

- Built outcome from MEAT2030 conference into our climate ambition and sustainability strategy.
 - Participated in high-level discussions with international organisations on our climate ambition.
 - Developed sustainable feed and soy strategy.
 - Conducted MEAT2030 dialogues with high-impact stakeholders.
- Completed
● Ongoing

Planned activities 2019/20

- Host MEAT2030 conference in 2020 to involve stakeholders in further collaboration.
- Develop soy policy.
- Look into establishing science-based targets.
- Identify key agendas for collaboration on selected impact projects related to sustainable meat.
- Take part in high-level dialogues on a sustainable global food system.



Closer stakeholder dialogue

Our MEAT2030 conference, held in Copenhagen in September 2018, was the first step in a systematic approach to involve farmers, food developers, sustainability experts, retail chains, politicians, researchers and NGOs in the development of a Danish Crown fit for the future. The conference laid the foundation for a dialogue forum between stakeholders with knowledge and new ideas for a sustainable future for meat. In 2018/19, we continued our stakeholder dialogue on how to rethink our way of farming in order to achieve a more sustainable production of meat – and how to increase transparency in the value chain and accelerate consumer demand for sustainable, high-quality meat.

Our continued stakeholder dialogue has provided valuable input to the formulation of our new climate ambition. It has also inspired the development of new concepts for plant-derived food products and our new premium brand, 'Dyrbar' in Denmark, which aims to increase consumer interest in high-quality meat (see page 39).

Our climate ambition has already made Danish Crown an international showcase on sustainable livestock systems. In 2019, we have shared our approach with the World Business Council for Sustainable Development (WBCSD), the World Resources Institute (WRI) and the World Economic Forum (WEF). We have also participated in discussions on how to meet the world's growing protein need with a minimal climate footprint.

When it comes to developing new opportunities for sustainable food production, an important research area is the exploratory work done on alternative protein sources for use in animal feed. Danish Crown is involved in a research project that seeks to find a profitable way to extract protein from grass. We participate in livestock feeding trials to test if the extracted protein is an efficient alternative to soy in pig feed.

To explore opportunities for further partnerships, we are planning a follow-up MEAT2030 conference in September 2020.

Reflections on our climate ambition

We have asked keynote speakers from our MEAT2030 conference to comment on our new climate ambition. Here is what they say:



Patrick Holden
CEO of
The Sustainable
Food Trust

"Achieving net-zero emissions from a grain-fed pork production system stands at the very limits of environmental and technical feasibility. I commend Danish Crown for establishing this target. Danish Crown is to be congratulated on establishing this very challenging technical and environmental target."



Gunther Pauli
Entrepreneur and
author of The Blue
Economy

"Are animals responsible for climate change? People raising animals should change the way we feed! Instead of getting the cheapest price per kilo, let's get the best nutrition for all and the finest chance to regenerate the ecosystems."



Lisa Sweet
Head of Business
Strategy and
Engagement, Centre
for Global Public
Goods, World
Economic Forum

"Danish Crown's sustainability strategy commitment to playing a leading role in the transition to climate neutrality is good for business, good for the people of Denmark, and good for the world in demonstrating the long-term value that can be created through sustainable, inclusive growth."

Partnership

Purpose of our engagement

Concito – Denmark's green think tank on climate solutions.

Get support in developing and qualifying Danish Crown's climate ambition and initiatives to ensure alignment with the Paris Agreement.

Frej – Danish independent food policy think tank where Danish Crown holds a seat on the Advisory Board.

Engage in dialogue with farmers on how to bridge the gap between agriculture and consumers.

The Danish Protein Innovation Partnership – consisting of trade associations, companies and knowledge institutions.

Contribute to research projects within Danish production of sustainable protein for feed and food as an alternative to imported soy protein.

SDG from philanthropy to business – partnership with Danish companies hosted by the Confederation of Danish Industry (DI).

Get inspiration from other companies on how to work strategically with the SDGs and translate them into new business opportunities.

DRIP – Danish partnership for Resource and water-efficient Industrial food Production comprising food companies, technology suppliers and research institutions.

Participate in the development and testing of new technology to reduce fresh water consumption and increase the use of purified recycled water.

The Danish National Bioeconomy Panel – composed of leading firms and researchers, key organisations and authorities.

Participate in the discussion on how to obtain more economical and sustainable biomass to advance the Danish bioeconomy.

The Danish Food Bank – a non-profit organisation fighting food waste and food poverty in Denmark.

Donate food for meals to help to ensure better food to socially disadvantaged people in Denmark.

The Innovation Partnership – a partnership for healthy food in Denmark.

Contribute to increasing access to healthy food and meals, and to influence consumers to make healthy decisions.

Danish Alliance for Responsible Soya – new alliance for retailers, food producers, organisations and authorities operated by DIEH (Dansk Initiativ for Etisk Handel).

Cooperate across the value chain to ensure that all soy imported to Denmark is produced sustainably.





Sustainable farming

Danish Crown is owned by 6,426 Danish farmers. We work closely with them to develop high-quality and sustainable livestock production based on modern technology, science, skills and a deep understanding of animals and related ecosystems.

Generations of Danish Crown farmers have protected their livelihood by taking good care of their livestock and surrounding ecosystems. In addition, Danish authorities have enforced strict environmental policies over the years, which have resulted in high standards for environmentally friendly production among Danish farmers. Initiatives include targeted breeding; high animal welfare and veterinary health; optimised feed efficiency; better soil care and new technologies for manure handling. These efforts have made Danish farmers frontrunners within efficient and sustainable livestock production.

Our strong position is rooted in our collaborative work culture and our cooperative business structure. Over the years, we have worked closely with our cooperative members and other suppliers – as well as researchers and associations in the agricultural sector – to develop sustainable and high-quality meat production.

With the launch of our certification programme, the Climate Track, in March 2019, we have intensified our collaboration on sustainable farming. This is one of the key initiatives on our shared journey towards climate neutrality. The first step has been to enrol 950 cooperative pig farms which are responsible for around 90 per cent of our Danish pig

deliveries. The next step will be to include contract pig production in more countries, and to develop customised certification programmes for cattle production.

The Climate Track has been included in our Code of Practice for Danish pig supplies, which we revised in June 2019 to stay ahead of developments within animal welfare and sustainability.

We are convinced that the demand for meat will continue to exist as part of a balanced diet, and we will continue to use the strengths of our cooperative to ensure a sustainable future for Danish farming and our core business. This includes making sure that the price received for the animals supplied to Danish Crown is as high as possible, thereby delivering a return on capital to our cooperative members. We all have a role to play – farmers, food producers, customers and consumers – by changing our buying habits to choosing high-quality, sustainable meat.

Strategic priorities

2030 climate ambition

Sustainability-certified farms

Activities 2018/19

- Revised Code of Practice for our owners.
- Introduced anaesthetisation of piglets during castration for all Danish Crown pigs.
- Launched sustainability certification programme for cooperative pig producers.
- Further reduced use of antibiotics in pig production.
- Completed
- Ongoing

Planned activities 2019/20

- Start including contract pig production in certification programme.
- Develop certification programme for cattle production.
- Initiate project to define methane emissions in beef production through genetics.
- Strengthen data quality and calculation methods on our climate and environmental impact.
- Integrate biodiversity perspectives in cattle production.
- Continue reducing use of antibiotics in pig production.



Significant reduction in the environmental footprint of Danish pork

In January 2019, Aarhus University, Denmark, finalised a life-cycle assessment (LCA) of how the environmental footprint of pigs and pork production developed in Denmark during the period from 2005 to 2016. The LCA calculations include the entire value chain from feed production until the pig is slaughtered and the meat is ready for further processing.

The LCA confirms that the environmental impact from Danish Crown pork in Denmark was reduced significantly during this period. It also shows that the impact of agricultural operations is significantly higher than the contribution from the transportation of pigs and the slaughter processes. This is primarily due to the feed consumption, as feed production accounts for the largest climate impact.

We are pleased to see that the greenhouse gas emissions from our pork production decreased by 25 per cent during the period. We will use these results to support our continued efforts to reduce the climate impact related to pig production across our value chain. Based on the positive progress made so far, we are positive that we can deliver on our climate ambition.

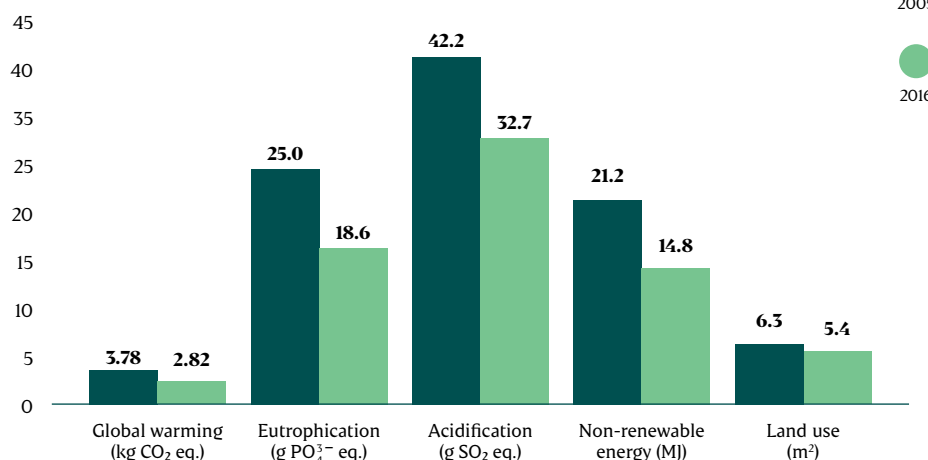
Information on university reports

In June 2019, Aarhus University published a report on "the climate impact of beef and veal throughout the value chain compared with nutritional aspects in different dietary patterns". Following criticism of the university's collaboration with Landbrug & Fødevarer and Danish Crown A/S, the report was withdrawn in September 2019 (the report is no longer available). It was put forward that the preparation of the report did not live up to the principles of independent research. Subsequently, other reports published by Aarhus University were also found to be questionable.

In this context, Danish Crown has asked the Danish law firm Kammeradvokaten/Poul Schmith to assess our collaboration with research institutes, - especially regarding the beef report from 2019 but also in relation to reports from previous years.

Environmental impact of our Danish pork from feed to abattoir

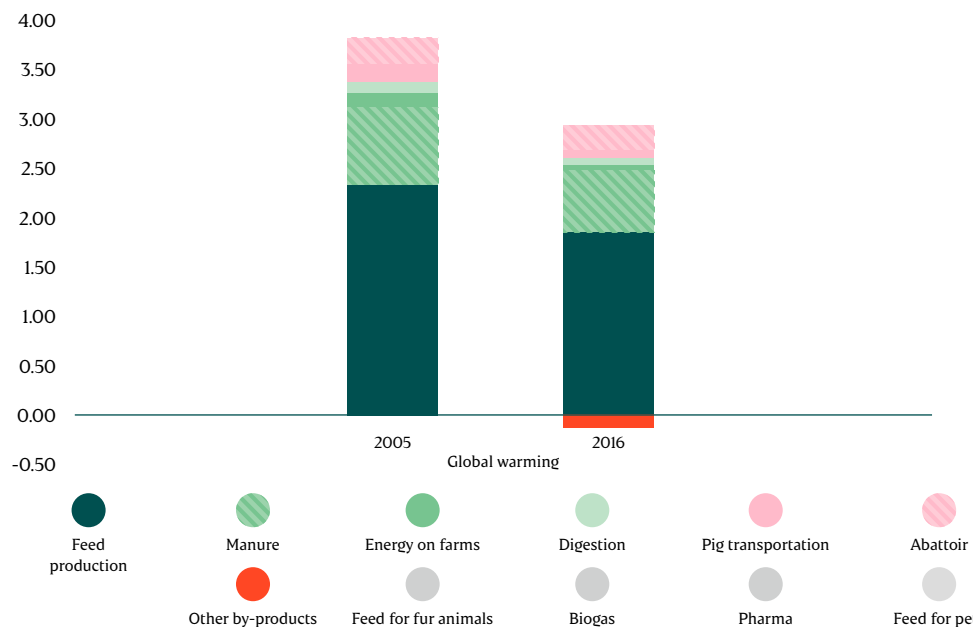
(unit) per kg pork



Source: 'Grisekød - produktivitet og miljøpåvirkning år 2005 vs 2016 - figure 9', Department of Agroecology, Aarhus University, 2019.

Global warming impact of our Danish pork from feed to abattoir

kg CO₂ eq. per kg pork



Source: 'Grisekød - produktivitet og miljøpåvirkning år 2005 vs 2016 - figure 12', Department of Agroecology, Aarhus University, 2019.

The figure shows that the environmental impact per kg pork declined from 2005 to 2016. This applies to all five environmental indicators, and the reduction in environmental impact varies from 13 per cent for land use to 25 per cent for global warming.

In Danish pork production, feed production and manure handling by far account for the largest climate impact.

From 2005 to 2016, greenhouse gas emissions were reduced by 0.97 kg CO₂ eq. per kg pork. Agricultural operations account for two thirds of the reduction, roughly equally distributed on optimised feed production, higher feed efficiency and other measures on the farm, including strict management of the use of manure as fertilisers in the fields. The remaining reduction is primarily caused by lower emissions from the transportation of pigs, where slightly longer distances from farms to abattoirs are more than counterbalanced by larger, more energy-efficient vehicles as well as better utilisation of the pig for foods and by-products at the abattoirs.



The Climate Track

Our road to sustainable pig production

By the end of 2019, 90 per cent of all pigs delivered to our Danish abattoirs will come from certified farms. This is an ambitious target, but also a necessary step on our journey towards sustainable meat production in 2030. To underline this, our certification programme is named the Climate Track.

The Climate Track is a voluntary joint-development programme where Danish Crown works with farmers to raise the sustainability performance of conventional production. To enter the programme, our farmers have to obtain a sustainability certification to document their commitment to Danish Crown's

2030 goal. The farmers must set short-term targets for their own farms and take action to ensure continuous improvement of their sustainability performance. This includes choosing sustainable solutions for ongoing investments. In addition, the farmer must continuously monitor and, on a three-year basis, report on performance and progress to Danish Crown.

The certification is carried out by Baltic Control, an independent third-party provider, which will also help the farmer to establish a baseline for targets and reporting. Certified farmers will be audited at least once every three years by Baltic Control. In

addition, Danish Crown will provide inspiration and guidance on sustainable solutions, technologies and innovation and facilitate the sharing of best practices among certified farmers.

The certification programme for pig production is initially introduced to cooperative members. Next step will be to include our contract production, particularly our Swedish suppliers, where our span of control on slaughter pigs is also high. For other suppliers where our span of control is limited, we will use our Supplier Code of Conduct to communicate our minimum sustainability requirements (see page 29).

Examples of parameters in the certification programme

Climate and environment

- CO₂ reduction
- Feed efficiency
- Ammonia evaporation and odour
- Resource optimisation
- Feed content: crude protein, phosphorous and zinc
- Local sources of protein
- Soil treatment
- Manure handling
- Medicine use, including antibiotics

Energy

- Energy technologies, renewable energy and heating supply

Animal welfare and antibiotics

- Mortality of sows, piglets and slaughter pigs

Social responsibility

- Workplace assessments


Since the launch of the Climate Track in March 2019, Danish Crown has certified 950 farms representing 87% of the pigs delivered to our Danish abattoirs this year – or in absolute figures 10.5 million pigs.

To be able to measure progress, a 2016 baseline for CO₂ emissions per pig reared has been established for each farmer. This enables farmers to evaluate performance against their own 2022 targets set in the first round. A dashboard also displays the average progress and targets for all certified farmers, which they can use as a benchmark for their own progress.

The commitment of the farmers equals total savings of 100 tons CO₂ eq. per day until 2022 if the targets are met and the number of pigs delivered is stable at 10.5 million a year.

CO₂-emissions from farms certified in the Climate Track

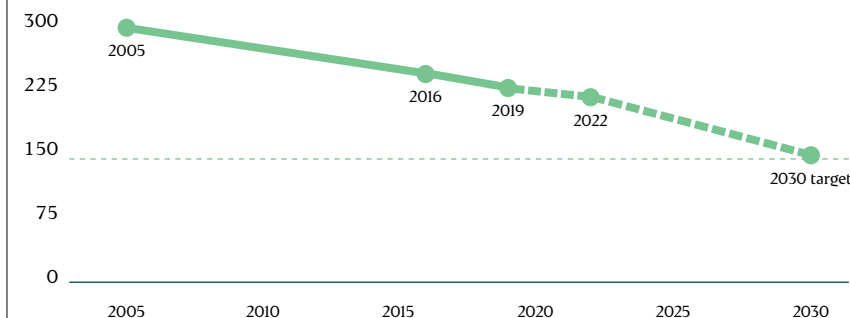
Total emissions and reductions in kg CO₂ eq. per pig (2016 baseline, average for farms certified as at September 2019)

	2016	2019	2022 target
 Feed consumption		6.8	15.4
Manure for biogas		2.1	3.1
Acidification of slurry		0.7	0.7
Slurry discharge		6.5	7.3
Total CO ₂ reduction		16.0	26.5
Total CO ₂ -emission	239	223	212.5

Sources: 1) Grisekød - produktivitet og miljøpåvirkning år 2005 vs 2016 – table 1 and 3; Department of Agroecology, Aarhus University, 2019. 2) Climate Track certification scheme, audited by Baltic Control, September 2019.

Progress on CO₂ reduction from Climate Track-certified farmers

kg CO₂ eq. per pig



Sources: 1) Grisekød - produktivitet og miljøpåvirkning år 2005 vs 2016 – table 1 and 3; Department of Agroecology, Aarhus University, 2019. 2) Climate Track certification scheme, audited by Baltic Control, September 2019.



Danish calves join the climate ambition

From December 2019, our 160 producers of 'Dansk Kalv' (Danish Veal) will also be able to get a sustainability certification. This is the first step of the Climate Track for cattle production, which follows three paths.

Cattle delivered for slaughter have different sustainability profiles depending on which production system they come from. Therefore, we are developing programmes to fit each farming practice. We have started with the large and homogeneous group of male calves that are not suited for dairy production. The certification programme is still being developed and will include requirements for continuous improvements of climate impact, animal welfare and social responsibility.

Next step will be dairy cattle. For this group, we will draw on the efforts and experience of the Danish

dairy sector, where greenhouse gas emissions from milk production are among the lowest per litre in Europe. Dairy cattle contribute to milk production and reproduction in the dairy sector, and beef products after slaughtering; they also deliver some of the finest leather in the world.

The last step is beef cattle, where we have to develop a programme from scratch. This mainly covers animals delivered for slaughter by hobby farmers, where our span of control is limited. The production of beef cattle typically has a high climate impact but a positive biodiversity impact due to grass feed.

→ Danish Crown is working with the Danish agricultural knowledge centre SEGES, Aarhus University, Viking Genetics and five producers of slaughter calves to create a climate-friendly slaughter calf through breeding and gene technology. The aim is to develop a breeding tool which can be used to identify beef cattle bulls who produce calves that release the least possible amount of methane into the atmosphere; make the most efficient use of their feed; and give as much meat as possible. These calves will not only benefit the climate, but also the economy of dairy farmers and slaughter calf producers.



The production system determines the climate footprint of beef



Beef is generally proclaimed to be the main climate culprit in the climate debate. However, reference is often made to foreign studies that do not reflect Danish production patterns or types of beef. The environmental and climate impact of veal and beef production is very different depending on the production system used to produce the meat – for example whether the meat originates from meat or dairy cattle.

This is documented by a life-cycle assessment (LCA) conducted in 2015 by Danish Crown in cooperation with Aarhus University and the Danish Technological Institute. In the assessment, the climate footprint was quantified based on 13 different Danish production systems from farm level until the products leave the abattoirs. The assessment also included the impact on biodiversity, acidification and eutrophication.

The LCA demonstrates that breed is of great importance to the environmental impact of meat. Danish Crown's 'Danish Veal' concept, which accounts for approx. 26 per cent of the cattle slaughtered at the Danish abattoirs, constitutes the most climate-friendly production in the Danish market, with a climate footprint of less than 11 kg CO₂ per kg of meat. Dairy cattle (of the Danish Holstein breed) account for about 30 per cent of the cattle

slaughtered and has a low climate footprint of around 11 kg of CO₂ per kg of meat. Less than 5 per cent of the slaughterings are of beef cattle. Cattle on grass have the greatest climate footprint but contribute more positively to biodiversity.

Climate footprint for veal and beef production systems ex abattoir
kg CO₂ per kg meat

Production system	kg CO ₂ per kg meat
Danish calf (Danish Holstein)	10.4
Young bull, dairy breed (Danish Holstein)	10.5
Dairy cow (Danish Holstein)	11.1
Suckler cow, Limousine	11.3
Dairy cow, organic (Danish Holstein)	11.5
Suckler cow, Highland	12.9
Diary breed bullock, organic (Danish Holstein)	18.8
Dairy breed bullock (Danish Holstein)	19.4
Young bull, Limousine	31.0
Heifer, Limousine	30.8
Calf, Limousine	32.0
Young bull, Highland	41.9
Heifer, Highland	45.8

Source: 'Environmental impact of Beef. By Life Cycle Assessment (LCA) – 13 Danish Beef Production Systems', DCA report no. 61, April 2015.

Information on university reports

In June 2019, Aarhus University published a report on "the climate impact of beef and veal throughout the value chain compared with nutritional aspects in different dietary patterns". Following criticism of the university's collaboration with Landbrug & Fødevarer and Danish Crown A/S, the report was withdrawn in September 2019 (the report is no longer available). It was put forward that the preparation of the report did not live up to the principles of independent research.

Subsequently, other reports published by Aarhus University were also found to be questionable.

In this context, Danish Crown has asked the Danish law firm Kammeradvokaten/Poul Schmith to assess our collaboration with research institutes, - especially regarding the beef report from 2019 but also in relation to reports from previous years.

Revised Code of Practice for pig suppliers

At Danish Crown, we work with our pig suppliers to continually improve production conditions, food safety, sustainability and animal welfare standards. Since 2002, we have had a Code of Practice, which defines the minimum requirements that all our cooperative members must meet. Our Code of Practice is based on national legislation, including the DANISH Product Standard and the DANISH Transport Standard, as well as international rules and standards.

Together with the Board of Directors and members of the Board of Representatives, we have reviewed the rules, and in June 2019, we launched a revised Code of Practice. The revision includes two major

additions: a new section on labour rights, which is aligned with the requirements in our new Supplier Code of Conduct; and a new section on sustainability, describing our certification programme for pig production, known as the Climate Track.

The revised rules also include a number of new animal welfare requirements. For example, farmers must be able to document the need for tail docking and draw up action plans to minimise identified risk factors. Other examples are stricter requirements for good and efficient collection practices with the driver having an opportunity to assess the transport suitability of the animals before loading.

New agreement on cattle transportation



→ In 2018/19, we made a new agreement on all transportation of live cattle to the Danish abattoirs. It states that the farmer must separate the animals to be collected from the herd, so they are ready when the haulier arrives.

Preventing contact between the transport vehicle and its driver and the cattle house reduces the risk of spreading infection. Fast loading of the animals onto the transport vehicle is also more gentle and less stressful for the animals.

Further decrease in antibiotic use

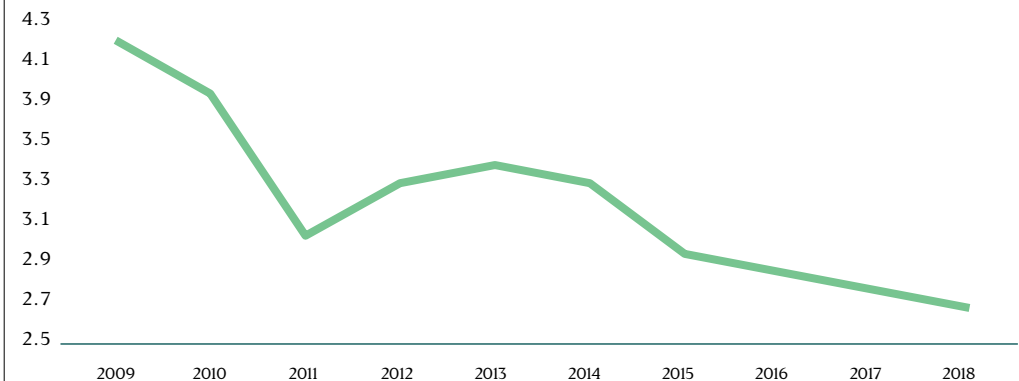
Healthy pigs should not be given antibiotics. This is a basic principle in Danish pig production, which has one of the world's lowest levels of antibiotics use. Over the past ten years, Danish pig farmers have reduced their antibiotics use by a third and they are working to bring it down even further.

Since 2015, Danish Crown has marketed meat from pigs raised without antibiotics (OUA/Pure Pork). The main difference from conventional production methods is prevention rather than cure. A conventional pig may have been treated with antibiotics during its lifetime, but no residuals are left by the time the pig is slaughtered. A pig raised without the use of antibiotics during its lifetime requires far more supervision. OUA farmers need to be extra careful to clean the pig buildings to keep livestock healthy in order to limit the spread of infection among the animals.

In August 2018, we achieved a market breakthrough in Denmark with our pigs raised without antibiotics through a partnership with a large retail chain. The past year, our production of these pigs has increased by 22 per cent, and more farmers are keen to join the concept. However, the significant global market price increases on pork (due to African Swine Fever in Asia) have given our speciality pig concepts very difficult market conditions. Achieving the carcass balance where we are able to sell all parts of the concept pigs is a challenge. This year the market has only grown by 10 per cent. The solution is to try to expand the market size and together with both retailers and industry customers to adapt to the new market price level.

Use of antibiotics

g antibiotics per pig (average for Danish pigs)



Source: Danish Agriculture & Food Council based on data from VETSTAT and SAF.



Sustainable food production

Minimising resource consumption in our food production is an integral part of everyday efforts in all our business units. Especially when it comes to the consumption of natural resources, waste minimisation and the implementation of cleaner technologies.

Circular and bio-based solutions are vital in order to address climate change, restore environmental balance and provide a reliable and accessible food supply for the world's growing population. For Danish Crown, responsible resource management and a circular value chain are at the heart of good business. Everything has value at our abattoirs, where as much of the animal as possible is processed into foods for customers and consumers around the world. Residual side streams are not considered as waste, but are upgraded for use in feed applications, biogas production or used as high-value products in the pharmaceutical industry.

However, resource-efficient production is not only about using the whole carcass so that no part goes to waste. It is also about making targeted efforts to improve energy and water efficiency in production and distribution. In 2019, we started to translate our ambitious climate goal into specific projects at our production sites. This includes purchasing and generating renewable energy as well as enhancing the efficiency of production processes by investing in low-carbon assets.

For many years, our production facilities have worked hard to reduce water consumption by streamlining operations and implementing cleaner technologies. Ongoing improvements at our Danish abattoirs have reduced water consumption from 600 litres per pig in the 1980s to only 200 litres today. Further reductions can only be achieved through recycling and reusing process water. Therefore, a main activity for Danish Crown is to engage in innovation projects to find new technological water-saving solutions.

Other key focus areas include ongoing environmental management and responsible procurement where a main effort in 2019 was the launch of our new Supplier Code of Conduct. Also, high animal welfare standards at our abattoirs are a key priority. To develop an animal welfare certification scheme for the abattoirs, we have established an internal network of animal welfare officers and internal veterinarians, who are working across the Group to define and implement shared approaches.

Strategic priorities

Climate neutrality

Zero waste

Animal welfare certification

Activities 2018/19

- Developed climate goal for our production as part of our climate ambition.
- Launched Supplier Code of Conduct.
- Developed anti-corruption policy.
- Adopted declaration on labour and human rights in the transportation sector.
- Continued pilot project as part of the Danish partnership for Resource and water-efficient Industrial food Production (DRIP).
- Signed new agreement for fossil-free logistics to cover 30-40 per cent of our road transportations in Sweden.

- Completed
- Ongoing

Planned activities 2019/20

- Develop baseline for CO₂ reduction in our production.
- Develop baseline for waste handling, including animal by-products.
- Develop plan for low-emission transportation, including optimisation of transport patterns in the supply chain.
- Implement new water-saving technology as a pilot project.
- Develop animal welfare certification programme in abattoirs.



Engaging closely with our suppliers

In January 2019, we launched our new Supplier Code of Conduct. The code sends a clear message that we wish to work with suppliers who can help us achieve our sustainability goals.

Our Supplier Code of Conduct defines the minimum requirements that our suppliers of goods and services must comply with when conducting business with Danish Crown and reflects our commitment to the UN Global Compact. It also draws upon compliance with applicable national and international legislation as well as recognised international standards on animal welfare, food safety, the environment, human and labour rights as well as anti-corruption.

In order to demonstrate compliance with the code, suppliers are required to adopt policies and implement management systems and are urged to enrol with Sedex – the largest global platform for managing and sharing responsible sourcing data on supply chains.

Towards 2021, we will be implementing the code step by step. Initially, we prioritise suppliers of food ingredients, packaging and other products that are used directly in, or are in contact with our products. This is in line with our commitment to uphold the highest food safety and quality standards for our products.

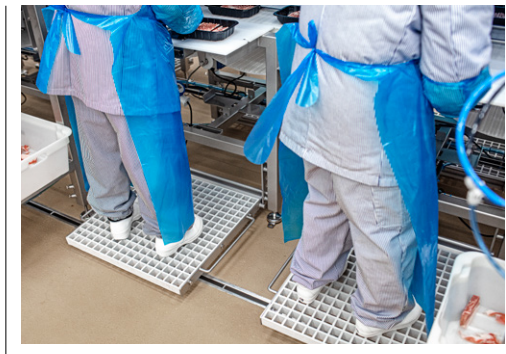
We are also in the process of integrating the code into a new quality system. When suppliers register in the system, they approve and sign the code, and they can indicate whether they have an energy target, for example. This will help us to identify suppliers that may be interested in closer cooperation. We plan to create a community of key suppliers where we can co-create innovative solutions and support each other in continuously improving our sustainability performance. The integration also means that we will conduct future sustainability audits in conjunction with quality audits. Furthermore, we expect to set KPIs on responsible supply chain management in 2020.

Transport declaration ensures better working conditions for lorry drivers

In 2018, an investigation revealed that some lorry drivers were working under unacceptable conditions in Denmark. This included drivers working for some of Danish Crown's suppliers. Together with three Danish transport companies, we have adopted a declaration to ensure the health and well-being, safety and rights of employees in the transport industry.

The declaration contains specific requirements regarding the conditions that Danish Crown's providers of transport services and their subcontractors must offer their employees, including improved standards of accommodation compared to the standards exposed in 2018. Moreover, guidelines have been provided that the companies can use for auditing and self-checks.

40 suppliers and subcontractors, accounting for approximately 80 per cent of Danish Crown's transport costs, have signed the declaration – and eight accommodation centres in Denmark, Poland and Germany have subsequently been audited and approved.



Addressing high-risk areas at our production sites

To identify potential sustainability risks at our production sites and set the baseline for the requirements in our new Supplier Code of Conduct, a sustainability risk mapping was carried out at 51 production sites in 2018, using the Sedex self-assessment questionnaire. The questionnaire is based on international standards for Social Accountability (SA8000), Environmental Management (ISO 14001), Occupational Health and Safety Management (OHSAS18001) and Ethical Trading (ETI Base Code).

The mapping confirmed a generally acceptable governance level across our business units, but also identified some high-risk areas where we, in 2018/19, took action to mitigate risk and increase compliance with the international standards.

We have prepared a Group policy and supporting standards on how to stay compliant with the anti-corruption laws in force. High-risk environmental areas have been handled as part of our environmental management systems that drive the continuous improvement of our environmental performance at our production sites.

The Sedex sustainability risk mapping will be repeated regularly, next time at the beginning of 2020.





Ensuring valid performance data

Complete, reliable and timely performance data is central when establishing baselines, setting ambitious targets and evaluating progress against our sustainability strategy and goals.

To improve the quality of our sustainability data and KPIs, we launched a strategic development project in 2018/19. Running over the next few years, the project aims at developing and streamlining our sustainability data measurement and reporting principles as well as our data work processes and support systems across the entire Group.

During 2018/19, the project focused on data and KPIs within energy consumption, water withdrawal, waste water discharge, carbon emissions, workplace accidents and sickness absence. Measurement and reporting principles have been updated and system processes and internal control mechanisms are being strengthened. We have also trained the employees involved in measuring, calculating and reporting on these data points.

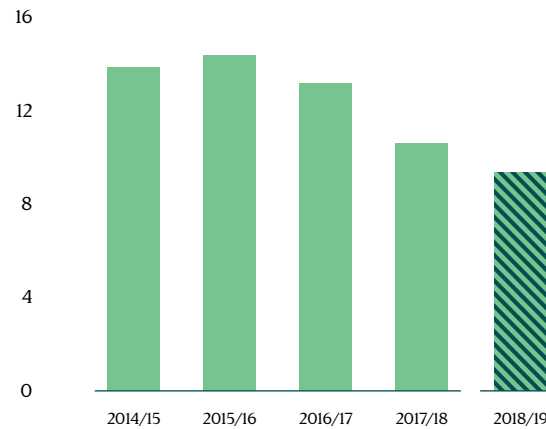
Going forward, we will expand this with more data and KPIs, to help us measure progress and support our decision-making processes.

See health and safety data on page 36, and our reporting scope and data definitions on pages 42-45.

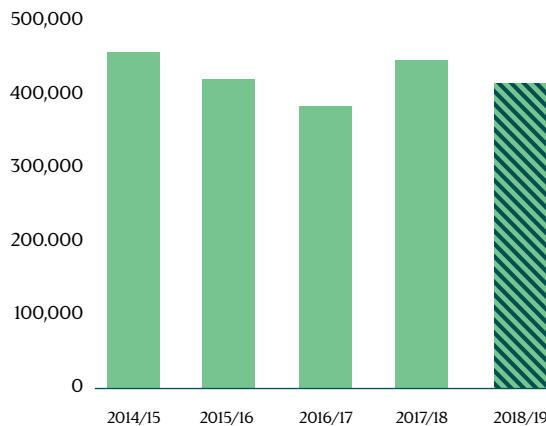
← Chemical Oxygen Demand (COD) is the indicator for organic material in waste water from our cleaning and production processes. COD has become the most commonly used method for measuring. Therefore, we have converted our Total Organic Carbon (TOC) data from previous years to COD by multiplication with a factor three.

← 65% of the emissions come from our abattoirs and another 25% from our processed food production. In 2018/19 we have included emissions from vehicles and refrigerants in our Scope 1 and 2 carbon emissions, whereof refrigerants account for about 7%. A Group-level approach to reduce carbon emissions is being prepared and will be implemented from 2019/20.

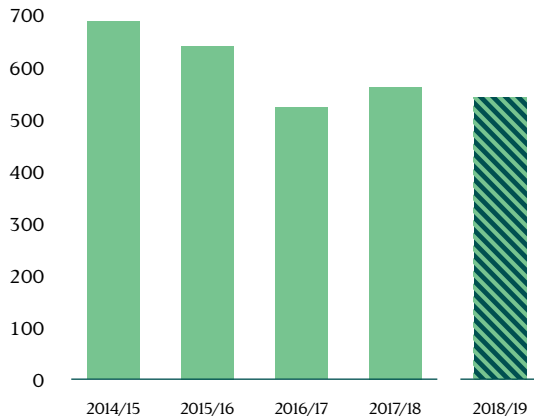
COD in waste water
kg COD per produced tonne



Carbon emissions (Scope 1 and 2)
tonnes CO₂



Energy consumption
kWh per produced tonne



Water withdrawal
m³ per produced tonne



→ Our primary energy sources are natural gas and electricity, which count for 85% of the consumption. Even though we have added fuel for vehicles (trucks, cars, etc.) to the 2018/19 data, our energy consumption per produced volume has decreased slightly.

→ Our water consumption per produced volume presents an increase compared to last year. Whereas the number of pigs received for slaughtering has declined in 2018/19, we still need the same volume of water for cleaning to maintain the high level of hygiene at our facilities, which counts for about 25% of the water consumption.

Climate-efficiency in production and distribution

All business units and production sites are in the process of translating our climate goals into specific actions that can reduce our carbon footprint. An important task is cross-organisational coordination to ensure knowledge-sharing and implementation of best practise across the Group.

In Sweden, KLS Ugglarps has already made considerable progress in the conversion to renewable energy. In 2018/19, we invested in a pellet boiler at the largest plant in Kalmar, Sweden. This boiler will eliminate oil consumption for steam production and thereby lower the energy costs and save 300 tons of CO₂ emissions a year. This equals a CO₂ reduction of 94 per cent and is one of the plant's most recent initiatives to become completely fossil-free.

The investment is part of our commitment under the Fossil Free Sweden initiative launched by the Swedish government. The commitment also entails installing solar panels before the end of 2020, and purchasing hybrid cars for domestic services after 2020.

We are also launching initiatives to optimise transport patterns and reduce the climate footprint from transportation throughout our supply chain. A first step is to establish a baseline for CO₂ emissions. This will inform the dialogue with our transport suppliers and help us track the impact of future initiatives.

At our production sites in Denmark and Poland, we are exploring ways to reclaim process heat, using it to heat cleaning water and indoor air. Approximately 30 per cent of the heat supply for the Danish abattoirs is reclaimed heat from technical installations like refrigeration systems, air compressors and ventilation systems. Our goal for the Danish sites is savings corresponding to a 2.5 per cent annual reduction in the total consumption of electricity and heat. In 2018/19, the Danish abattoirs in Sæby and Horsens installed new ventilation systems that maximise the heat recovery, which alone has resulted in savings of about 0.5 per cent.

In 2018/19, Sokołów's plants in Tarnów and Kolo, Poland recovered heat from air compressors and thereby reduced its energy consumption for heating of cleaning water by about 5 per cent. In August, the Kolo plant also installed heat pumps to utilise heat from the refrigeration system for heating water. The resulting savings will amount to approx. 50 per cent, and a similar solution will be implemented at the Tarnów plant in 2020.

Pilot projects document water-saving potential



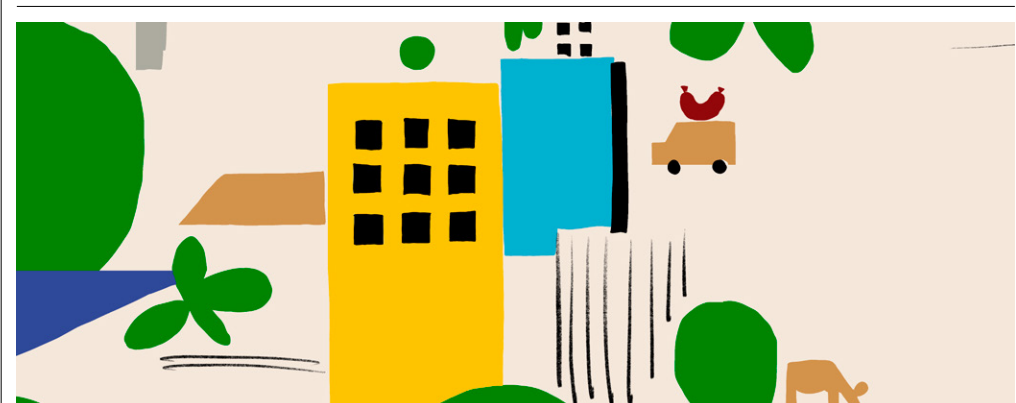
Since 2017, Danish Crown has participated in the Danish partnership for Resource and water-efficient Industrial food Production (DRIP). Comprising food companies, technology suppliers, universities and research institutions, the public-private partnership aims to develop technology that can help reduce freshwater consumption and increase the use of purified recycled water. The overall goal is to reduce the amount of water used in Danish food production by 15-30 per cent without compromising food quality and food safety.

All solutions are to be tested at food production sites, and in 2018/19, we continued our largest pilot project at our pig abattoir in Horsens, Denmark. We are testing a pilot plant which by means of filtration techniques, UV technology and bacteriological screening can purify process water from abattoir robots. To ensure that bacteria are not transferred from one pig to the next, all abattoir robots are rinsed and sterilised after operation. This process accounts for 10 per cent of the abattoir's total water consumption, so the potential for water savings is considerable provided that the quality of the process water after treatment is sufficiently high for the water to be recycled and reused elsewhere in production.

Working with a technology supplier and the Danish Meat Research Institute, in 2018/19 we have run multiple and comprehensive tests in every conceivable operating situation. All tests have documented that the process water can be bacterially purified to drinking-water quality. Following dialogue with our customers about the test results and food safety monitoring routines, we are ready to proceed with the development of a full-scale plant in 2020.

Saving one litre of water per pig at the abattoir in Horsens, Denmark, equates to more than four million litres of water a year which do not have to be discharged as waste water. This, in turn, translates into savings of approx. DKK 100,000 on water bills and drainage charges. As all of Danish Crown's pig abattoirs in Denmark are designed in the same way, the solution holds considerable savings potential if implemented at all our sites.

Another pilot project at the Tulip production facility in Svenstrup, Denmark, holds great potential for other production sites. This project explores the possibilities of optimising the consumption of water, energy and chemicals in the cooling towers.





Good jobs for everyone

We have nearly 23,000 employees representing no less than 80 different nationalities. More than half of our employees are blue-collar workers. In addition to diversity and social integration in our workforce, we work for equal and favourable conditions as well as healthy and safe workplaces.

Our employees are key to the results we have created, and their continued motivation and engagement is essential to achieving our strategic objectives. Stimulating high employee satisfaction through professional HR efforts and an inspiring workplace that is healthy and safe is of high priority. Our starting point is good and strong, but we want to do even more to retain existing employees and attract new ones.

Danish Crown continues to be one of the most diverse and socially inclusive companies in the Danish and European labour markets for production workers. More than 80 per cent of our employees are based at our production sites in Denmark, Poland, Germany, Sweden and the UK. Most of our sites are located in rural areas where job opportunities can be limited, and we contribute to the communities by employing many people locally. We also create jobs for people who have difficulty finding their way into the labour market. In 2018/19, we made a special effort to integrate refugees and veterans into our workforce and clarified our diversity and inclusion vision.

In a labour market where the demands for formal education are growing, we provide blue-collar workers with the opportunity of taking an education. Raising awareness of the career opportunities

within the food industry is another area where we take on a special responsibility, for example by committing ourselves to offer more apprenticeships.

In 2018/19, we have grown our workforce, and most new hires are employed in DAT-Schaub and Tulip Food Company as a result of recently acquired companies. In Denmark, we adjusted the workforce with 106 employees due to overcapacity in the market. In such a situation, we do our best to help those affected find new employment through specific outplacement and engagement plans. Furthermore, in view of slightly fewer slaughtering in Denmark and to avoid layoffs, our Sæby abattoir has introduced a new flexible production approach that allows them to quickly adapt their capacity to changes.

Finally, as part of our efforts to strengthen and embed our safety rules and behaviour, in 2018/19 we have continued the roll-out of our global occupational health and safety system and also introduced a Code of Conduct.

Strategic priorities

Safe workplace

Social integration

Career paths and training for employees

Activities 2018/19

- Launched Code of Conduct.
- Launched new diversity and inclusion policy.
- Established a stronger governance setup to improve skills development and blue-collar training schemes.
- Prepared for a skills and motivation assessment at our production sites.
- Accelerated social integration initiatives.
- Improved monitoring of work environment incidents.
- Introduced Environment, Health & Safety alert system.
- Increased focus on safety related to auxiliary equipment and machines.
- Completed
- Ongoing

Planned activities 2019/20

- Develop online Code of Conduct training.
- Share best practice approaches on social integration across the Group.
- Run global work safety campaign.
- Introduce training programme: From unskilled to skilled worker.
- Conduct competence assessment to establish baseline for hourly paid employees.
- Initiate targeted training programmes based on findings from the competence survey.



Embracing diversity and guiding employee behaviour

We want our leadership to reflect the fact that Danish Crown is growing globally. To unite employees across business units and cultures, we launched our Code of Conduct for all managers and employees in April 2019, and in September 2019, we formalised a diversity and inclusion policy.

To help protect our brand and reputation, we have defined Danish Crown's worldwide business principles in eight rules of conduct, which work to guide employees on expected behaviour and decision-making. Implementation of the code has included engagement with our business unit management teams and top 50 managers. We are also developing awareness films on potential dilemmas as well as a mandatory e-learning programmes. We aim to start the roll-out of selected themes in 2019/20.

While we, as an organisation, must act as one Danish Crown, we recognise our diverse workforce as a key competitive advantage. We believe that

diversity makes us more creative, productive and even more attractive as an employer. We have a multicultural working environment and are proud that our European production sites have at least five different nationalities employed. At some sites, the number is close to 30. We strive to strengthen the English-language skills of our employees across the Group and wish to rotate internal global candidates to support a global workforce and accelerate best practice sharing.

While we have set a number of diversity goals that address gender and nationality specifically, we embrace and encourage diversity in its broadest terms, including but not limited to age, gender, sexual orientation, ethnicity, nationality, culture, religion, physical ability, education and skills. We tolerate no forms of discrimination; and all employees are entitled to fair and equal treatment. Our updated diversity and inclusion policy is integrated into our core people processes, and we will use diversity and inclusion propositions in our employer branding to further retain existing employees and attract new employees.

Diversity goals in global graduate programme

In our updated policy, we have set 2019/20 goals for our global graduate programme where the gender split must be 50/50. In terms of nationality, the minimum proportion of Danes/international profiles is 50/50 with the aim of further increasing the share of international candidates in the years to come.

Our global graduate programme in 2018/19 comprised seven graduates with a female representation of 27 per cent and international profiles of 40 per cent.

We have also set diversity goals for apprentices and management (see pages 34 and 36).

Our workforce

22,979
employees

81%
hourly paid employees

80
nationalities

Code of Conduct



1

We maintain respectful and honest relationships with our colleagues, communities and all other stakeholders.

2

We develop our business together with consumers and customers and in the interest of our owners.

3

We strive to uphold the highest standards on food safety and the quality of our products.

4

We strive for sustainable solutions in all decisions.

5

We respect human and labour rights throughout the entire value chain.

6

We act with integrity and transparency in all our business operations.

7

We take responsibility for the work safety of ourselves and our colleagues and contribute to a good working environment.

8

We comply with laws and regulations in all countries in which we operate.

Promoting social inclusion and good career paths

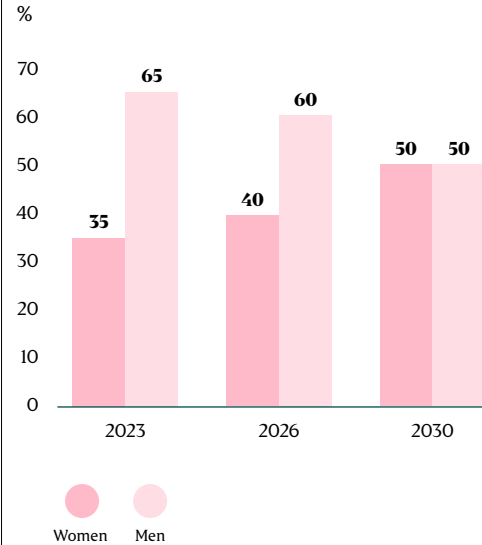
Inclusivity is part of Danish Crown's DNA. We employ more than 18,000 blue-collar workers and focus on offering our hourly paid employees fair conditions. We also make an extra effort to get people on the edge of the labour market into permanent employment.

We already do this in parts of our organisation by integrating refugees as well as long-term unemployed and veterans. In the years to come, we aim to share our social inclusion practises across the Group.

To improve our employees' skills and provide good career paths, we are working on a blue-collar training scheme in Denmark that we will refine and scale to Group level by 2021. In 2018/19, we established a governance setup to ensure proper oversight of the scheme, and we have prepared for a skills and motivation assessment to be rolled out at our production sites in 2019/20. The mapping of mathematics, language and reading skills, including the number of dyslexics etc., will help us to target our educational efforts.

We are also determined to inform young people about the career opportunities that an apprenticeship in the food industry has to offer. In 2018/19, we made a special effort to provide more apprenticeships, and we will increase our annual student intake by 15 per cent in 2020 compared to 2018. This will bring us to around 310 apprentices. Of these, our ambition is to take in a minimum of 25 apprentice butchers at every admission round and to have a minimum of 25 per cent adult apprentices. We have also set diversity goals for our apprentices, and in 2018/19 we had a gender split of 24/76 per cent women/men among our 267 apprentices.

Diversity goals for our apprentices



An important element in profiling the education as a butcher has been to formalise it as an independent professional discipline. This has now been achieved in Denmark. This entails, among other things, participation in the annual Danish National Championship, where Morten Øgendahl, Alex Svingholm and Simon Kyhl from Danish Crown in 2019 came first, second and third. We are also working to promote Danish Crown to future apprentices in the UK and Poland. To this end, we have produced small films with role models to be shown on social media and at events.

Job opportunities for refugees and veterans



We offer employment to refugees to help solve a challenge in society but also because the integration of refugees has been a positive experience for us. In 2018/19, we more than doubled the number of refugees employed at our Danish facilities, especially at Danish Crown Pork's abattoir in Sæby, Denmark, and at Zandbergen, the Netherlands, which employs 53 refugees. At Zandbergen, the refugee programme has been running since 2017. Here, the combination of dedicated management, close collaboration with local authorities, and an agency specialised in integrating refugees have been key to making the integration process work.

In 2019, we have developed a concept aimed at veterans who have difficulties returning to the Danish labour market following military service abroad. Some of them are only able to take on light duties, and others are looking to move from military service to a job in the private sector. Structural layoffs of 106 employees at our abattoir in Horsens, Denmark, has postponed the onset of this initiative. We aim to start the integration programme in 2019/20 enrolling up to five veterans with PTSD. This will be followed by more widespread recruiting efforts for veterans who have completed their military service.



320 refugees in job

Fostering a strong health and safety culture

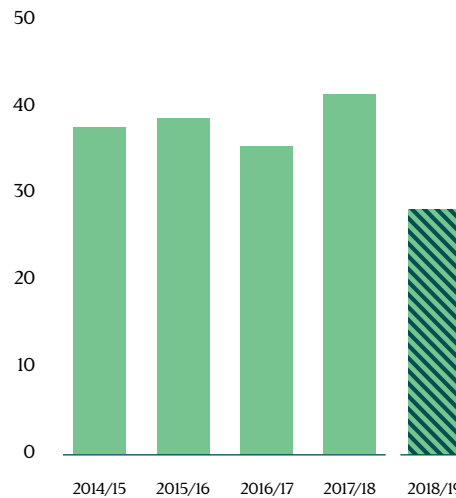
Working in abattoirs and food processing factories can be physically demanding and pose potential safety hazards. We work systematically to create healthy and safe workplaces, and we have a strong focus on preventing accidents. Management at all levels attaches great importance to communicating safety rules and behaviour, and it is our goal to reduce the frequency of lost-time accidents to 20 or less by the end of 2019/20. We are thus pleased to see the significant reduction achieved in 2018/19.

In terms of occupational diseases, which typically occur after several years of exposure, we have launched several initiatives to improve our workplaces. They include work instructions, workplace layout and production patterns as well as robot technologies and high-tech auxiliary equipment to help reduce the strain on our employees. We have developed an Environment, Health & Safety (EHS) alert system. It enables our sites to learn from each other and prevent accidents and incidents by adding and sharing learnings and corrective actions. The system has proved to work well and will be implemented in Denmark, Sweden and Germany in 2019/20. As stated in our Code of Conduct (see page 33), we expect employees to proactively take responsibility for their own and their colleagues' safety and well-being.

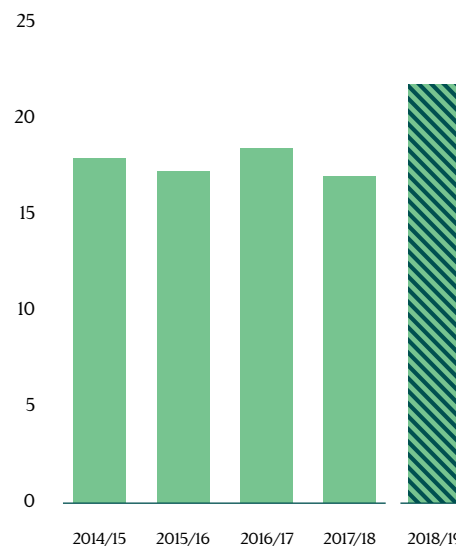
In 2018/19, we also continued the roll-out of our global occupational health and safety system in Sweden, Germany and the UK. These efforts will continue in 2019/20, where we will also enrol Poland to cover all our production sites. The system formalises our work across national borders and ensures uniform registration of work-related injuries, i.e. accidents, occupational diseases, near-accidents, prevention, fire and safety inspections etc. This system allows us to monitor developments much more closely than we have done before, resulting in an improved health and safety culture. In connection with the roll-out, we have also been working on improving the quality of our health and safety data and KPIs (see page 30).

In Denmark, 17 sites are certified under OHSAS 18001 and our seven Pork facilities also hold an ISO 14001 certificate.

Lost-time accidents
Number of accidents per 1,000 FTEs



Absence due to lost-time accidents
Days of absence per accident



← Thanks to an intense focus from all management levels on reducing work accidents, we have succeeded in reducing the frequency of lost-time accidents by 32 per cent since 2017/18. The target for 2019/20 is an incident ratio at 20 or below.

← While the frequency of accidents has decreased, we see an increase in the total days of absence due to lost-time accidents. Unfortunately, we have had some serious accidents causing relatively long absences.

Work environment awards



In 2018/19, our efforts to provide good jobs for everyone were recognised in both Poland and Denmark. We are proud that Sokolów in 2018 – for the second year running – received the 'Reliable Employer of the Year' award for complying with HR and social responsibility standards.

We are also proud that Danish Crown Pork in Ringsted was nominated for the Danish 'Working Environment Award' in 2019 – for our holistic approach to health and safety management. In five years, Ringsted has succeeded in significantly reducing the number of accidents at work by focusing on management, culture and risk.

The number of accidents has been more than halved – from 39 accidents per 1,000 employees in 2013/14 to 14 in 2017/18. These great results continued in 2018/19 where the number of accidents was brought down to 28 per 1,000 FTEs.

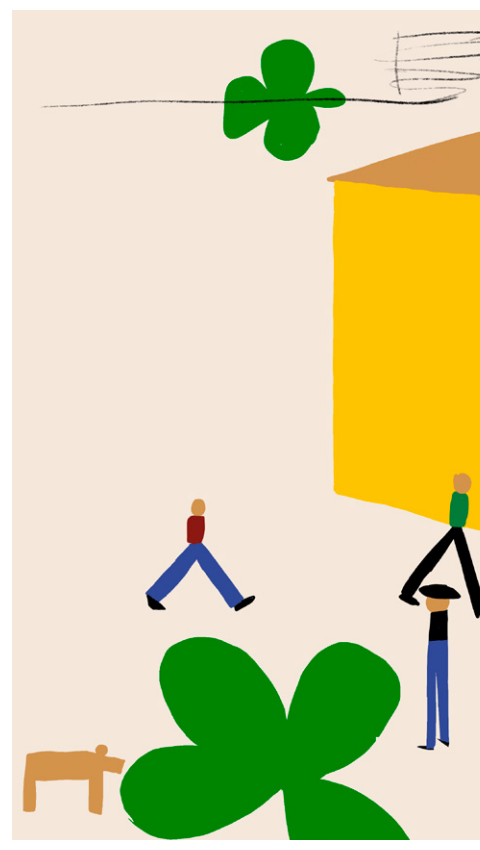
Building a stronger foundation for women in management

In 2018/19, we have been working on setting new goals for a diverse workforce. The role of women in management has been an integrated part of this process.

In line with the Recommendations for Corporate Governance, the Board of Directors has approved our formalised diversity and inclusion policy, including our diversity goals. The goals are aimed at different management levels, graduates and apprentices and cover both gender and nationality as we wish to strengthen the diversity of both parameters in Danish Crown (see pages 33 and 34). In our vision for diversity and inclusion, we state that we want to mirror our customers and consumers' diversity in order to understand and embrace their values and trends. While our consumer groups are diverse, women often make the decisions when shopping in the supermarket. Turning the mirror inwards, women in management positions currently constitute 38 per cent, which is an important increase from last year where the figure was 29 per cent. The increase of 9 percentage points can primarily be ascribed to acquisitions of stores in Poland, which traditionally have female managers. The share of female managers in Poland is 58 per cent.

Our past efforts have had some effect, but we must do even more to attract and retain women and ensure that we do not overlook half of the available talent pool. In building the foundation for more women in management, we are aware of the importance of limiting unconscious biases in our recruiting process, for instance by choosing the wording in job advertisements carefully. Going forward, we will also require that for all management positions, at least one woman should be among the last three candidates for the job.

We are pleased to see positive developments in our global graduate programme where the share of female graduates has increased from 11 per cent in 2017/18 to 27 per cent in 2018/19. However, the challenge remains across the organisation. As an example, only one of our butcher apprentices is female this year. Therefore, we have given ourselves the challenge that the gender split amongst all our apprentices must be 35/65 by 2023 and 40/60 by 2026, and long term we aim for 50/50 in 2030. Today it is not a challenge to find female apprentices for casings cleaning and we need to learn from this success.



Gender representation at board level

The Board of Directors of Danish Crown A/S is composed of ten members elected by the general shareholders and three employee representatives. Two of the shareholder elected members are women, hence we meet the goal of 20 per cent diversity set for 2021. All ten members of the Board of Directors of Leverandørselskabet Danish Crown AmbA are men. This naturally reflects the gender balance among the owners of Danish Crown but does not yet live up to our 10 per cent diversity target.

Diversity goals for our management



We have set a number of goals for the different management levels in Danish Crown. Below is a status on the current levels:

Executive Board

Goal: 33 per cent gender diversity

Status: Currently, we do not have any women on our Executive Board.

Top50 managers

Goal: Double the underrepresented gender before 2025 and double that again before 2030 to reach 30 per cent.

Status: The gender diversity among our Top50 managers is currently 8 per cent.

Business unit management teams

Goal: At least one member in each management team must be diverse in terms of nationality before 2025.

Status: The diversity in terms of nationality across our business unit management teams is in place in KLS Ugglarps and DAT-Schaub.



Together with customers and consumers

Each year, we supply food for billions of meals to consumers worldwide. Together with our customers, we are constantly developing new food concepts, and our focus is increasingly on healthy and sustainable food products.

We do our utmost to meet the expectations of our customers and consumers in every delivery we make. In 2018/19, we supplied food for billions of meals, and all over the world we are met by a customer focus on quality and food safety, healthy nutrition and great taste. Staying tuned to market trends and engaging in market-driven innovation together with our customers is key. We collaborate with our customers across retail, foodservice and industry as well as with consumers to develop new food concepts that meet market needs.

The global demand for meat is reflected in our global sales. Although the demand is expected to continue to increase, we also see other movements in the marketplace. Some consumers seek a sustainable lifestyle and aim to make a difference through their choice of food products. This includes an increased interest in organic products, plant-based meals and foods with a high protein content – and ways of reducing food waste is also a focus area.

Danish Crown already has a leading position within organic products and products from animals raised without antibiotics, but overall, sales of those products were disappointing in 2018/19. To stimulate sales, we work to influence the market and shift customer focus from price to high-quality meat and sustainable food products. We do so by raising awareness about the sustainability requirements for our conventional meat products and for our specialised concepts such as animal welfare-labelled pork. Furthermore, to increase the recycling of plastic, we introduced new food packaging solutions in 2018/19.

Moving markets and changing habits do not happen overnight. That is why we have to follow market developments closely and engage in the public debate on the climate impact of meat and the scepticism about eating meat. As we address the climate footprint of our meat production to increase sustainability across the value chain, we also diversify our portfolio. In 2018/19, we introduced a new premium meat brand and plant-based products. These efforts are grounded in our passion for producing the best food based on high-quality raw materials from farmers.

Strategic
priorities

**Increase sales
and value of
sustainable
products**

Activities 2018/19

- Launched new sustainable packaging concept.
- Further developed the sustainable product range.
- Initiated partnerships with customers to accelerate responsible consumption of food.
- Refined the pathway for the future role of meat.
- Promoted premium products.

- Completed
- Ongoing

Planned activities 2019/20

- Develop strategy for sustainable packaging and plastics.
- Launch more sustainable products and concepts.
- Promote sustainable choices.
- Improve internal competences in sustainability dialogues with customers.
- Define food waste strategy.



Building sustainable consumption

Our customers' purchasing choices are essential drivers of our sustainability journey. Put simply, it is all about supply and demand. That is why we call on all our stakeholders to help move consumption in a sustainable direction, away from a narrow focus on price.

Our 2018/19 sales figures for conventional and animal welfare-labelled fresh pork in Denmark are stable. We see a slightly increasing trend for conventional pork, while the sales of animal welfare-labelled pork have not picked up. Sales of organic products have increased slightly, which is also the case for pigs raised without antibiotics (OUA) in Denmark (see page 27).

Overall, we had expected a larger increase in the consumption of our specialised concepts following the growing interest in sustainability shown by consumers in our domestic markets. While some people may be willing to pay a premium price for these products, sales can be complicated by diverging preferences across different markets. It can be difficult to recover the additional cost of producing organic, OUA and animal welfare-labelled pigs when the meat is sold in markets with different consumer preferences.

However, the challenge involved in building sales of sustainable products will not stop us from driving the development of these products. We will work to influence our markets, and in 2018/19 our sales and marketing functions focused on addressing sustainability parameters when engaging customers. Danish Crown Pork often sells fresh meat in bulk to large industry customers, which makes the differentiation between products difficult. We are testing new types of dialogue and success criteria to build a thorough understanding of the good sale. We will continue and further develop this approach in 2019/20.

We believe that our efforts to supply sustainable products – combined with our customer engagement and the growing interest in sustainable food products – will lead to increased demand in the years to come.

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The partnership behind the animal welfare label has decided to expand the concept to include beef from 2020.



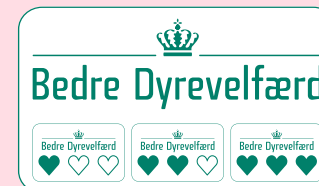
'Bedre Dyrevelfærd' (Better Animal Welfare) is a Danish state-driven animal welfare label which defines significantly stricter animal welfare standards than those stipulated by Danish and European legislation. Danish Crown has helped to develop the label, which was launched in 2017 for pork products, and we are one of the main suppliers of labelled products.

To accommodate different consumer preferences, the animal welfare label is available in three variants, with one, two or three hearts. The more hearts, the better animal welfare – and the higher the price point.

The label is subject to state-approved inspection and comprises five basic requirements:

- Curly tails – no tail docking and no tail biting
- More straw for rooting and nesting
- More space
- Free-range sows
- Max. transport time of eight hours

A label with two hearts requires 30 per cent more space and more straw, while a label with three hearts also requires outdoor areas for the pigs and even more straw.



Friland has specialised in organic meat produced according to particularly high animal welfare standards. Friland was established in 1992 and has, since 1999, been part of the Danish Crown Group. Friland is Europe's largest organic meat company and a significant supplier of organic meat to European processing companies. Approximately 150 farmers supply animals to Friland.

Together with Animal Protection Denmark, Friland has developed a code of practice which ensures that the animals' welfare and needs are met in the best possible way. This means, among other things, that animal welfare requirements regarding Friland's organic pigs are stricter than existing EU rules for organic pig production. For more than two decades, all product labels have carried the statement 'Approved by Animal Protection Denmark'.

In 2018/19, Friland experienced an increase in both interest and sales in Denmark, and we are working hard to expand our exports to the European markets. We are also exploring possibilities in the US market.



Introducing new food concepts

In addition to our various specialised concepts, we are developing our product portfolio to provide a balanced and healthy diet which includes both high-quality meat products and plant-based food concepts.

While meat production and processing are our core business, the diversification implies that we, in some of our home markets, will become recognised as a food company with a more diverse product portfolio.

For some years, Sokołów has been developing new veggie products for the Polish market, and Tulip Food Company has marketed a range of veggie cold cuts. Similarly, in 2019, KLS Ugglarps has introduced vegetarian casseroles to the Swedish market, where the main sources of protein are chickpeas and sweet potatoes. We are constantly introducing new food concepts to target our specific markets and consumer preferences and hope that our diversified product range launched in 2018/19 will be well received.

Recognised for our veggie products

In July 2019, Sokołów's 'Z Gruntu Dobre' product line was awarded in the meatless products and meals category by the poll Dobra Marka – Jakość, Zaufanie, Renoma (Good Brand – Quality, Trust, Reputation). The product line consists of pastes, pies and ready-made meals. The poll was conducted by the Business Forum magazine in Poland and is designed for people who care about a balanced and healthy diet.

New premium meat brand

DYRBAR :
Danish Crown

'In taste we trust' is the overall philosophy of our new premium brand, 'Dyrbar', which we introduced on the Danish market in August 2019. The new food concept focuses on good taste and high-quality meat and targets consumers who opt for less, but better meat.

Dyrbar responds to the fact that the role of meat on the dinner plate is changing. This represents a shift from quantity to quality, where meat of higher quality and intense taste is enjoyed in smaller portions.

We sell the premium brand's selected high-quality pork, veal and beef through our web shop www.dyrbar.dk, where we also share recipes and cooking tips from master chefs.



→
The burgers are based on vegetables such as peas, beetroot and pumpkin and are rich in fibres, protein and taste.



Plant-based burgers

The flexitarian trend is growing, reflecting a large consumer appetite for a variety of plant-based foods, and we are seeing new food categories developing rapidly at the moment. To tap into this trend, Danish Crown Beef has introduced a plant-based burger, developed in collaboration with a Danish chain of restaurants. These burgers are based on vegetables like peas, beetroot and pumpkin and are rich in fibres, protein and taste, but free from additives and E-numbers.

We see this as a diversification of our product range, offering fresh, high-quality and tasty plant-based alternatives to flexitarian consumers who seek a varied diet. In addition to being experts in freshly delivered minced meat, the process of producing minced vegetables is a natural step for us. With this initiative, we aim to meet individual consumer preferences in our main categories.



Testing new packaging solutions

Waste from single-use plastic packaging is a huge environmental challenge, and many food companies are engaged in designing reusable, recyclable or biodegradable packaging that can keep food fresh and safe and comply with the strict requirements for food contact materials.



← The new environmentally friendly meat trays are currently made with 80 per cent recycled plastic. It is an advantage to produce black meat trays since it makes us independent of the colour of the recycled plastic. This way, we can access larger amounts of plastic and ultimately reach our goal of 100 per cent recycled plastic. However, some of the local authorities' sorting facilities have difficulties handling black plastic, but we are hopeful as new technologies are being implemented to help overcome this challenge in the near future.

In Danish Crown, we work closely with our customers and consumers to create sustainable food packaging solutions. In Sweden, for example, we introduced minced meat in tube packaging in January 2018. This initiative has been well received by consumers and saved approximately 50 per cent of plastic packaging compared to trays. While introducing sustainable packaging solutions may seem straightforward, a number of factors like the product's shelf life, portion size, impact on logistics, food safety and how the solution fits into local and national waste and recycling systems can affect its success in practice.

One of our greatest challenges is meat trays. In Denmark alone, consumers annually purchase around 55 million trays of pork and beef from Danish Crown, and the packaging amounts to more than 1,000 tons of plastic.

To stimulate recycling, Danish Crown Beef and Tulip Food Company introduced green and black meat trays in June 2019. These trays are made of environmentally friendly PET plastic that can be reused for pre-packed food. The first trays are made with 80 per cent recycled plastic, and our goal is to reach 100 per cent within the coming years. This requires, however, that local Danish authorities scale up their plastic collection capacity, and we are in close dialogue with

the authorities on this matter. It also requires that the consumer recycles the tray by quickly rinsing it under the tap before placing it in the container for hard plastic. We diligently communicate our recycling messages to motivate and change habits among our customers and consumers, and we are very pleased to have received an award for our new packaging solution from one of Denmark's largest retail chains at their annual supplier meeting in August 2019.

Our preliminary calculations show that the shift to PET plastic will reduce CO₂ emissions per plastic tray by 54 per cent if the tray is recycled. This figure will become even higher over time if the tray is produced entirely of recycled plastic. However, if the PET tray is incinerated, the reduction is only 6 per cent. Hence, recycling of the trays is crucial to realising the potential.

It must be noted that the switch to PET plastic also means that Danish Crown's consumption of plastic will increase by around 5 per cent. PET plastic weighs slightly more than the other types of plastic used previously, which underlines the importance of collective action when tackling waste issues.

In 2019/20, we will also look into the potential for introducing fibrebased packaging as the supplier market is developing innovative solutions in this area.

5 Reporting principles





Reporting scope and methodology

The report describes our sustainability strategy and activities in view of the issues that are most material to Danish Crown and our stakeholders. The materiality assessment has contributed to the content of the report.

Scope

The Sustainability report covers the financial year 2018/19 going from 1 October 2018 to 30 September 2019, and the data collected reflects this period in the best possible way.

Entities included in the Sustainability report 2018/19 are the enterprises included in the Danish Crown Annual Report 2018/19 (refer to this report for specifications on the inclusion principles and a complete list of group enterprises).

During 2018/19, we divested Tulip Ltd. In our annual report we show Tulip Ltd separated from our continued business. Therefore, all figures in the Sustainability report are exclusive of Tulip Ltd.

Enterprises acquired or established during the reporting period are included in the data from the date of acquisition or establishment. The acquisition is counted from the date when control passes to Danish Crown. Enterprises divested or closed down are included in the data until the date of divestment or closure. The date of divestment is the date when control of the enterprise passes to a third party.

Reporting approach

The basic reporting principles are unchanged compared to last year's CSR report. During the year, we have developed and updated our work procedures and the definitions of selected data points (further detail below).

This sustainability reporting is largely inspired by the Global Reporting Initiative (GRI) Standards, however without meeting the in-accordance criteria.

Some of the data included in the report are approximate figures based on calculations for slightly different periods.

In the case of restatement of previously reported data or material changes in calculation methodologies or principles, explanations of background and impacts are given.

Methodology

In 2018/19, we initiated a process aimed at ensuring a high quality standard of our sustainability data and thereby a robust basis for monitoring and reporting on our sustainability efforts.

We have implemented a new data collection process, based on data calculation and validation standards defined and formalised at Group level.

For the reporting period 2018/19, the new approach has been applied for a selection of Key Performance Indicators (KPIs) with underlying data points that we consider particularly important for our business activities:

- Carbon emissions
- Energy consumption
- Water withdrawal and discharge
- Chemical Oxygen Demand (COD)
- Lost-time accidents / Absence due to lost-time accidents / Absence due to sickness

In the years to come, we will extend the improved data collection approach to cover our entire sustainability reporting.

Data definitions



Financial highlights

Data and figures are derived directly from the Danish Crown Annual Report 2018/19.

Sustainability figure	Unit	Definition
Absence due to lost-time accidents	Workdays per accident	<p><u>Content in numerator:</u> Total workdays of absence due to lost-time accidents excluding the day of the accident. If an accident causes more periods of absence, all days of absence are included. Absence within the reporting period due to accidents in previous periods are not included.</p> <p><u>Content in denominator:</u> Number of lost-time accidents.</p>
Absence due to sickness	Workdays per 1,000 FTEs	<p><u>Content in numerator:</u> Total workdays of absence due to short- and long-term illness and due to sickness of children or any equivalents hereto. Maternity or paternity leave is not included.</p> <p><u>Content in denominator:</u> Number of 1,000 FTEs.</p>
Animals: Organic, free-range and raised without antibiotics	Number of animals	Total number of animals slaughtered which were raised organically, as free-range and/or without antibiotics.
Carbon emissions	Tonnes CO ₂	Total carbon emissions (scope 1 and scope 2) from natural gas, gas oil, fuel oil, gasoline, other fossil fuels, diesel, electricity, district heating and steam, liquified and compressed gas, dry ice, vacuum-packaging, anaesthesia and refrigerant losses. Calculations are based on the latest official IEA factors or specific local CO ₂ factors where relevant and possible.
COD in waste water	Tonnes COD	Total amount of COD (Chemical Oxygen Demand), i.e. organic substances in the waste water stemming from the production and released through the waste water.



Sustainability figure	Unit	Definition
COD in waste water per produced volume	kg per produced tonne	<p><u>Content in numerator:</u> Total tonnes of COD in waste water.</p> <p><u>Content in denominator:</u> Volume of produced products in tonnes.</p>
Energy consumption	MWh	Total consumption of fossil and renewable energy sources: natural gas, gas oil, fuel oil, gasoline, other fossil fuels, diesel, electricity, district heating and steam, liquified and compressed gas, biomass energy, other alternative energy and own production of renewable energy.
Energy consumption per produced volume	kWh per produced tonne	<p><u>Content in numerator:</u> Total energy consumption.</p> <p><u>Content in denominator:</u> Volume of produced products in tonnes.</p>
Feed efficiency	Feed units per kg gain	Figures derive from SEGES: 'Country average for productivity, Pig production Denmark 2018'.
Full-Time Equivalents (FTEs)	Number	One FTE is equivalent to one employee working full-time (according to the employment hours in the countries where we operate).
Lost-time accidents	Number of accidents per 1,000 FTEs	<p><u>Content in numerator:</u> An accident is recorded when it occurs during working hours and causes at least one day of absence after the day of the accident. Accidents during travel to/from work are generally not included. Both permanent and temporary employees at Danish Crown are included. Employees working for and managed by Danish Crown's contractors and subcontractors are not included.</p> <p><u>Content in denominator:</u> Number of 1,000 FTEs.</p>
Water withdrawal	1,000 m ³	Total withdrawal of water from all sources: Groundwater, surface water, (including collected rain water), sea water, water from municipality facilities and other external vendors, own wells or water collections.
Water withdrawal per produced volume	m ³ per produced tonne	<p><u>Content in numerator:</u> Total water withdrawal.</p> <p><u>Content in denominator:</u> Volume of produced products in tonnes.</p>



Sustainability figure	Unit	Definition
Water discharge	1,000 m ³	Total amount of water discharged to surface water, groundwater, seawater and third-party facilities. Both water discharged to/through own treatment facilities as well as water discharged directly are included.
Women in management positions	% of all management positions	A manager is defined as an employee with managerial responsibility for other employees.

Indicators



KPI	Unit	2018/19	2017/18	2016/17	2015/16	2014/15
Animals: Organic, free-range and raised without antibiotics	Number of animals	785,000	765,000	380,000	310,000	290,000
Feed efficiency	Feed units per kg gain	2.63	2.66	2.70	2.70	2.74
Carbon emissions	Tonnes CO ₂	408,865	441,054 ¹⁾	380,673 ¹⁾	416,417 ¹⁾	453,185 ¹⁾
Energy consumption	MWh	1,330,727	1,509,682	1,290,117	1,412,413	1,420,760
Energy consumption	kWh per produced tonne	532	549	512	630	675
Water withdrawal	1,000 m ³	10,437	10,379	10,028	10,800	10,552
Water withdrawal	m ³ per produced tonne	4.17	3.77	3.98	4.82	5.01
COD in waste water	kg per produced tonne	8.7	9.9	12.2	13.4	12.9
Lost-time accidents	Number of accidents per 1,000 FTEs	28	41	35	38	37
Absence due to lost-time accidents	Workdays per accident	22.2	17.2	18.7	17.5	18.2
Women in management positions	%	37.8	28.0	27.9	25.8	25.6

1) For these years, some parts of Scope 1 and 2 are not included.



