



## Axzon A/S Statutory CSR report April 2014

### (Lovpligtig redegørelse for samfundsansvar jf. årsregnskabslovens § 99a og b)

#### 1. Introduction

CSR has been a focus area for Axzon A/S since the founding in of the company 2012 and before that, when the Group consisted of individual production companies in Poland and Ukraine, we also took pride in “doing things the right way”. Sustainability was and remains a key word for us and we try to act in a responsible, sustainable manner in everything we do – with regard to the environment, our animals, the communities where we live and work, our employees, our competitors etc.

Doing things, the right way is obviously good in itself, but we have been less focused on documenting this to the public and ourselves in a structured way. We have decided to change this, and for 2014, we have completely revised our CSR-reporting in order to make it measurable and more to the point. Consequently, we consider 2014 to be “year one”, our baseline for future targets and the reporting on those targets.

The reporting structure is simple; we have chosen a number of topics, in broad terms corresponding to our CSR policy, with an emphasis on Environment and Climate, Animal welfare, Community, HR etc. and for each topic, we express a general goal for the Group. In order to reach this goal, we set number of targets, which we intend to measure each year going forward. Because this is a new exercise for us, there will be more topics, goals and targets as we develop the area further and as we are able to provide more valid, consolidated data.

This CSR report is an integral part of the management report in the Axzon A/S annual report for 2014.

#### 2. Axzon at a glance

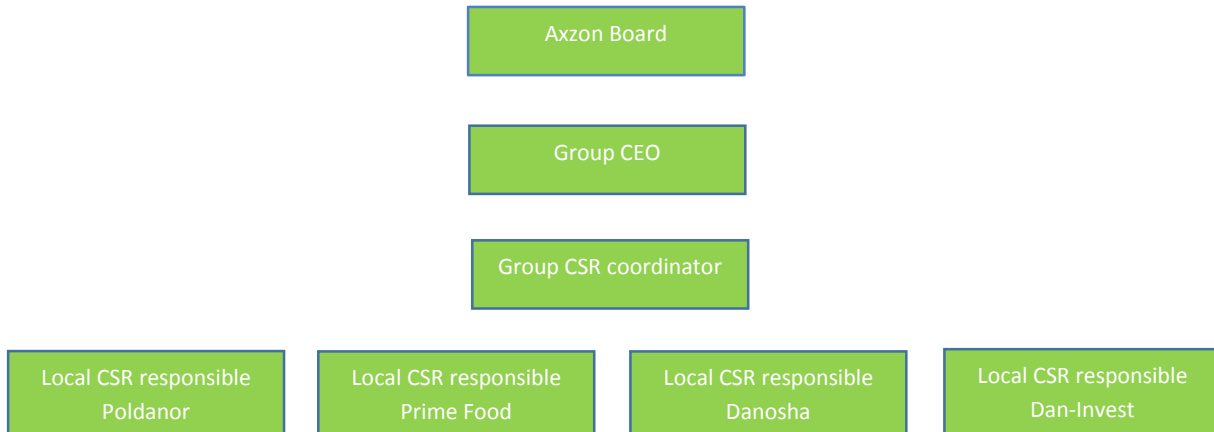
Axzon is a vertically integrated group of companies producing slaughter pigs on its production sites in Poland, Ukraine and Russia and processed meat products from its slaughterhouse in Poland. The company also has a limited number of dairy cows. Although cropping the land, producing pigs and milk and processing, packing and selling meat products are different lines of business, we see the Group as one from a CSR point of view.

##### 2014 in numbers

- 2195 employees
- 40,000 sows
- 858,000 slaughter pigs sold
- 46,000 tons processed meat sold
- 27,000 hectares harvested
- Revenue 1414 KDKK
- EBITDA 362 MDKK
- Net profit 47 MDKK



### **3. Organization of the CSR area**



### **4. Key commitment areas**

#### **4.1 Animal Welfare**

At Axzon, we are committed to the wellbeing and humane treatment of all animals in our care. We also believe that animal welfare and high quality products go hand in hand in modern animal production. Our animal welfare standards and procedures are in compliance with local legislation and they meet some of the highest standards in the world. To ensure that these high standards are maintained, we educate and train all our employees in proper care and handling procedures with regard to our animals. All employees and contract farmers involved with the handling of our animals must comply with company policies and understand their responsibilities to ensure the welfare of the animals in their care.

Our welfare procedures and operational facilities undergo at least one annual audit, both internally by Axzon staff, and externally by representatives of our international shareholders. We closely follow the latest developments in legislation and industry recognized welfare practices supported by science and practical experience.



#### 4.1.1 Animal welfare goal

*“To ensure that our animals are healthy and safe at all stages in their life cycle”*

#### 4.1.2 2014 level and 2015 targets for animal welfare

In 2014, we measure the level of animal welfare on three parameters: **Livability**, meaning the total percentage of animals born on our farms who make it to the slaughterhouse, number of pigs **rejected** at slaughterhouses and the number of animal welfare related **finances** issued by the veterinary authorities where we work.

Animal Welfare	2014 Actual	2015 Target
Liveability	84.3%	85%
Rejections at slaughterhouse	1230 heads (0.16% of total delivered heads)	1000 heads
Fines	0	0

## 4.2 Environment and Climate

We recognize that our business has an impact on the environment and the climate and one of our main CSR commitments is to reduce this impact to an absolute minimum while sustaining growth and profitability. By applying state of the art technologies and best practices in our field, we strive to achieve this.

So far, Axzon operates nine biogas plants in Poland and Ukraine, which not only reduces the Co2 footprint of the group but also ensures a steady and cheap source of electricity. In Poland where we have the majority of the biogas plants, we are proud to be producing Co2 neutral pig meat, which was documented by the German TÜV in 2013 and repeated in 2014. This means, that we are self-sufficient with energy (KWh) on all pig farms in our biggest country of production. We plan to establish more biogas plants in the future, which will contribute further to the sustainability of our business.

Apart from using animal manure from our farms for biogas production, we are constantly developing our recyclable waste management, which mainly consists of different biomass and in general, we put an effort into using every resource efficiently. Furthermore, we replace the machinery and equipment, which we use for cropping the land on a regular basis meaning that we use the most energy efficient technology the market has to offer. In order to keep track of our impact on the environment and climate we have a self-monitoring system regarding ground water quality, gasses and dust emissions, fuel consumption etc.



**4.2.1 Environment and Climate goal**

*“To reduce the negative impact of our business on the environment to a minimum”*

**4.2.2 2014 level and 2015 targets for environment and climate**

In 2014, we measure our impact on the environment and climate by usage of water and electricity:

Water:

Pig production: **Water consumption in m3 per sold ton of live weight pigs**

Slaughterhouse: **Water consumption in m3 per ton processed meat.**

Energy:

Pig production: **Energy consumption in KWh per sold ton of live weight pigs.**

Slaughterhouse: **Energy consumption in KWh per ton processed meat**

Furthermore, we measure **consumption of fuel per hectare** that we crop.

<b>Environment and Climate</b>	<b>2014 Actual</b>	<b>2015 Target</b>
Water consumption (production/slaughterhouse)	14.8 m3 per ton/6.5 m3 per ton	14 m3 per ton/6.4 m3 per ton
Electricity consumption (production/slaughterhouse)	408 KWh per ton/246 KWh per ton	400 KWh per ton/240 KWh per ton
Diesel consumption per ha	123 liter	113 liter

**4.3 Labor safety**

Safety is a key point for us. Axzon aims to maintain a safe and healthy working environment for all employees, temporary staff, contractors, clients and visitors. Achieving this is a common responsibility for all employees of the group.



#### 4.3.1 Labor safety goal

*“To keep our employees safe and healthy”*

#### 4.3.2 2014 level and 2015 targets for labor safety

In 2014, we measure labor safety as **number of accidents, days away from work, hours of safety training per employee and labor safety related fines** issued by relevant authorities.

Labor Safety	2014 Actual	2015 Target
Accidents	42	Decrease to a minimum
Days away from work	1750	Decrease to a minimum
Training hours per employee	8.7	Keep level
Fines	10 (total value 142 EUR)	0

### 4.4 Food safety and quality

Producing safe products of high quality to our customers is essential to us. As Prime Food, our slaughterhouse and meat processing company in Poland, is the only entity in the group who process the meat that we produce and sell to retail and end-consumers the goals and targets in this category concern Prime Food only.

#### 4.4.1 Food safety and quality goal

*“To produce safe, healthy and tasty products for our customers”*

#### 4.4.2 2014 level and 2015 targets for food safety and quality

In 2014, we measure food safety and quality as the **number of recalls in tons** and the **number of employee training hours dedicated to food safety and quality** per year.

Food Safety & Quality	2014 Actual	2015 Target
Recalls	75 tons (0.2% of total sold)	Decrease by 20%
Training per employee	3.6 hours	Keep level



## 4.5 Community

We want to be good neighbors and we support the communities where we work. We realize that being a significant player in, quite often, a relatively small community puts a special responsibility on our shoulders as businesspeople, landowners, employers, taxpayers etc. Therefore, we engage in various projects and social activities, supporting local communities.

We donate both our time and money and we engage in a wide range of activities such as financing and co-financing local infrastructure projects, we help renovate schools and other municipal buildings, we clear the roads of snow using our heavy machinery during the winter. We support educational institutions, we engage in environmental protection programs and we promote sport and a healthy lifestyle by organizing and financing the Prime Food Triathlon Przechlewo with approx. 700 participants in Poland.

Although most of the feedback we get from the community is positive, we do engage in activities that create a certain amount of smell and noise, which sometimes give rise to complaints. We take these complaints very seriously, and we have a formal grievance procedure according to which each complaint is registered and handled – usually to the satisfaction of the complainant.

### 4.5.1 Community goal

*“To contribute positively to the communities where we work”*

### 4.5.2 2014 level and 2015 targets for community

In 2014, we measure our impact on the community as our total **donations to the community** and the number of **complaints** that we receive from people who feel negatively affected by our business. Please note that the donations amount does not include free-of-charge services rendered to the community using our employees and machinery.

Community	2014 Actual	2015 Target
Donations	176,118 EUR	Increase
Complaints	45	Decrease to a minimum



## 4.6 HR and Gender

We know that the main asset of our company is our employees and we work hard to ensure that Axzon is and remains an attractive and safe place to work. We do this by constantly educating, involving and developing our employees in order to make sure that everyone uses his or her full potential to the benefit of the company and the employee. We also help, care about and look after each other. We do not tolerate discrimination of any kind, be it with regard to nationality, gender, age, sexual orientation or other and we do not tolerate violence neither physical nor psychological.

We acknowledge the significant positive impact that unions have had on workers' rights throughout the world and everyone in Axzon is free to choose any form of association that he or she wishes.

Operating in an industry and a part of the world where traditional values and traditional gender roles are dominating we are well aware that we are a male-dominated work place, especially on the management level. However, we believe in diversity and just as well as we consider our geographical diversity a great strength, we know that both sexes contribute something unique to our business, and we want to take advantage of this to a greater extent in the future. However, even without specific initiatives, we see clear tendency in the Eastern European countries where we operate that women cope very well with the changes of transitional economies. These women are moving into both specialist roles and general management positions, which were previously held by men. Despite this, we have initiatives underway, which will ease the way into our organization and to the management level for ambitious and well-qualified women. Initiatives like coaching, mentor programs and efforts to help women get back to work faster after giving birth.

In all fairness, there are also areas in our organization, which are dominated by women, such as HR and bookkeeping. We also intend to make it easier and more acceptable for men to take positions in these departments. We will report on the progress for this area in 2015.

The Axzon Board of Directors, which currently consists of six men, has set as a target to have at least one woman on the board by 2018 and the search for the right candidate is progressing according to the plan. In 2014, there were no new elections to the Axzon board of directors.

### 4.6.1 HR and Gender goal

*"To help our employees use their full potential and remain an attractive employer everywhere we work"*

### 4.6.2 2014 level and 2015 target for HR and Gender

In 2014, we measure our results in HR as **employee turnover, sick leave and gender diversity.**

Please note:

- Turnover is calculated as  $\frac{\text{number of employees who left during the year}}{(\text{number of employees at the beginning of the year} + \text{number of employees at the end of the year})/2} \times 100$ .
- Sick leave is calculated as  $\frac{\text{number of days off due to sick leave}}{\text{total nominal days of working}} \times 100$



HR & Gender	2014 Actual	2015 Target
Employee turnover	27.3%	25%
Sick leave	4.74%	4%
Women in management positions	24%	Increase number of women in management

## **5. Conclusion**

This is the first Axzon CSR-report in the new formant and it should be seen a first step towards a more extensive CSR reporting in the years to come. We have many ideas and much more in the pipeline than we show this year but due to the fact that we are operating in three different countries with the youngest member, Dan-Invest in Russia, having entered the group only in late 2013 we still have some consolidation and stream-lining to do before we can present more CSR goals and targets.