



Danish Crown's ownership strategy:

We exist for the continuing and future cooperative owners



Danish Crown

Are we the right owners of Danish Crown?

As cooperative owners, we must continuously review our setup to determine whether there is any untapped potential in our joint cooperative, and the question has come up from time to time whether the ownership structure of Danish Crown should be changed. Many discussions have been conducted at meetings of the Board of Representatives and in the local districts on whether to sell the business and, if relevant, how.

Against this background, in August 2019, the Board of Directors and the Board of Representatives launched a project to define an ownership strategy to find an answer to the question: Are we the right owners of Danish Crown?

Danish Crown's ownership structure constitutes both a strength and a challenge. It makes us stronger because the cooperative basically builds on us selling our animals through our own company. The primary objective of the cooperative is to pay the highest price possible for the raw materials. As such, we are both owners of and suppliers to our own business.

On the other hand, the ownership structure involves the challenge of the cooperative model working at its best when the number of cooperative owners is growing – and structural developments in the agricultural industry currently point in the opposite direction in terms of the number of cooperative owners. Therefore, we are faced with the prospects of fewer owners having to handle higher capital requirements and volumes of raw materials. In the Board of Directors and Board of Representatives, we have spent a lot of time discussing how to best solve these challenges and whether we should remain the owners of our company.

The cooperative has brought Danish Crown to where we are today. We have built a global food group originating from farms and in which young farmers can become a part of the value creation. Danish Crown shall remain a cooperative. That is the conclusion of our work with the ownership strategy. We have investigated every alternative. The conclusion is clear. There is no better ownership structure for us. We are a cooperative, and we exist for the continuing and future owners. But because our aim is to be the best possible cooperative, change is unavoidable.

To that end, we need an ownership strategy. We need to put in words what binds us together in one cooperative. We also need to make clear that we own the company. In other words, we are cooperative OWNERS. Ownership entails benefits and obligations alike. Both sides of the coin are important, and our ownership strategy shows what each side means.

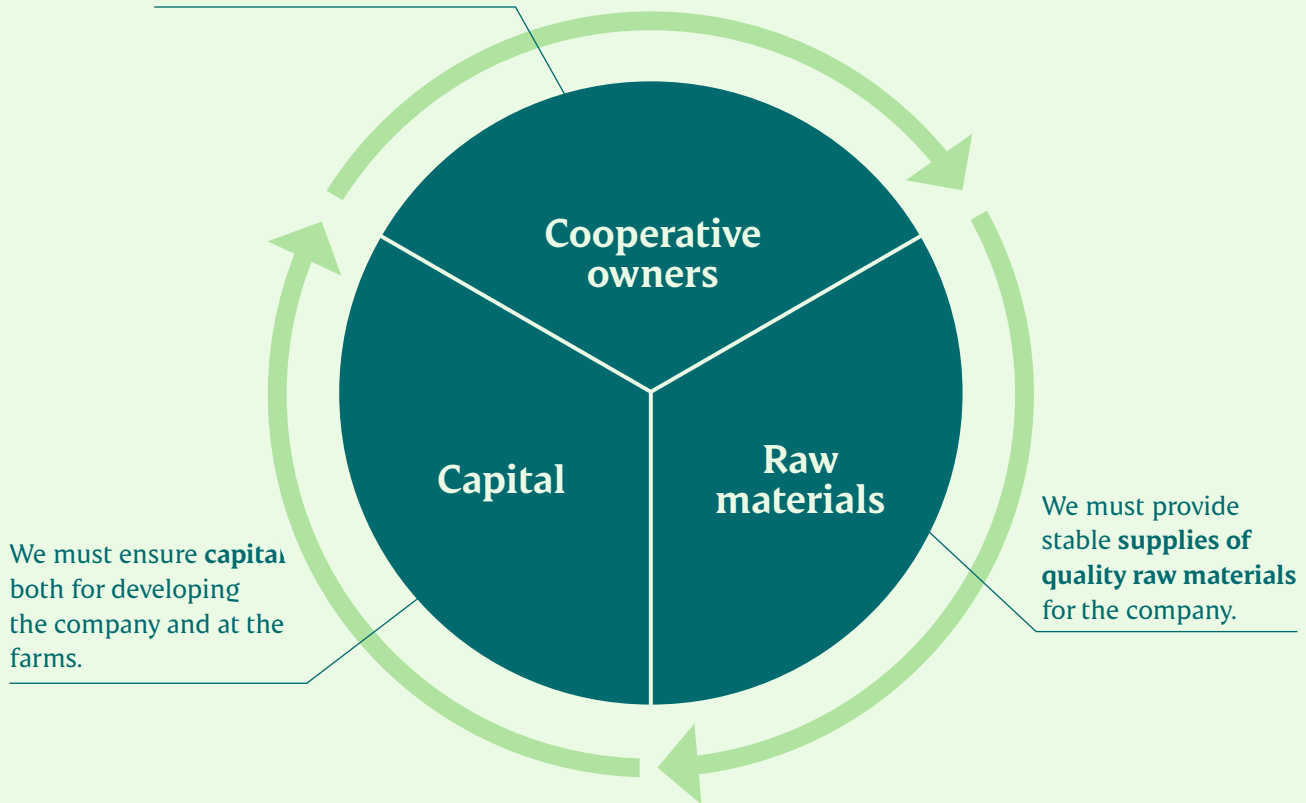
How will we improve our cooperative? We will register a greater proportion of our equity in order to render the value of our ownership of Danish Crown even more visible. We will make a greater effort to make Danish Crown attractive to the future generation of cooperative owners and last, but not least, we will raise awareness of the benefits of being a cooperative owner.

On the following pages, you can read more about our work on the ownership strategy and the findings of our efforts.

Erik Bredholt,
Chairman of the Board of Directors
of Danish Crown AmbA



By exercising their co-influence as owners, **the cooperative owners** must work together to preserve our sense of pride and our ownership commitment.



The three cornerstones of the cooperative

The cooperative structure has turned a pig abattoir in Horsens, Denmark into a global food business engaging in pig and cattle slaughtering and controlling the entire value chain from farm to fork. Our current position builds largely on the commitment, efforts and investment appetite of our cooperative owners.

Over the years, our model has aroused a good deal of envy, and rightly so, but we should never take the strength of our structure for granted. Since 1887, the cooperative owners have been charged with the same three tasks. These are the cornerstones of the cooperative.

When these cornerstones are strong in place, we have a healthy cooperative.

As owners of Danish Crown A/S (Danish Crown), Leverandørselskabet Danish Crown AmbA (the cooperative), includ-

ing the Danish producers of slaughter animals supplying to the cooperative (cooperative owners), contributes actively to securing a healthy long-term development of Danish Crown.

The cooperative exercises its ownership through its representation on the Board of Directors of Danish Crown, through ongoing dialogue with the management of Danish Crown, by ensuring the involvement of all the owners through the local districts, the Board of Representatives and the Board of Directors of the cooperative and by engaging in dialogue with external stakeholders.

Thanks to this ownership, the cooperative owners are ensured control of their shared sales channel at Danish Crown.

We exist for the continuing and future cooperative owners

The cornerstone of Danish Crown's business is the production of slaughter animals in Denmark, which is currently undergoing structural developments. Some producers are passing on their farms to new generations. Others are closing them down. That is how it has always been. A strong Danish Crown relies on the continued willingness and desire of its owners to develop their farm production. We cannot base our ownership strategy on those who shut their business down. It must be addressed to those who continue.

Accordingly, the ownership strategy is for cooperative owners who:

1

Believe in the production of Danish slaughter animals and slaughtering in Denmark

3

Are committed to making Danish Crown and the cooperative owners stronger

2

Believe in a future for Danish Crown

Our objective is timeless



Danish Crown AmbA must at all times ensure competitive and profitable sales of our slaughter animals.

This means that Danish Crown must: make it attractive for the owners to make long-term investments.

- **Timeless:** it is not limited by time and will prevail regardless of changes in trends, preferences and financial aspects.
- **Competitive:** the ability to compete and sell products in competition with other market players.
- **Profitable:** the ability to sell slaughter animals at a profit.

Our ownership strategy

Danish Crown's ownership strategy builds on the benefits of being a cooperative owner of Danish Crown. The things that make us stand out from the competition and bind us together, with each other and with the company. Cooperative ownership is exactly what gives us the unique benefits that other producers of slaughter animals do not have.

Rooted in these benefits are the three cornerstones: the pride and influence of cooperative owners, our shared ownership and capital of the company and the raw mate-

rials that form the basis of Danish Crown's existence. The three cornerstones are constantly evolving, and as cooperative owners we are responsible for ensuring that each pillar is maintained and rests on a solid foundation.

It is the owner's responsibility to deliver on the three tasks, and that is how it has been from the beginning. Three solid pillars provide the company with the best opportunities for fulfilling the timeless objective - making it attractive for owners to make long-term investments.



... Objective ...

Our ownership strategy is for the continuing and the future owners of Danish Crown AmbA.
Danish Crown AmbA's timeless objective is to ensure competitive and profitable sales of our slaughter animals.

... Cornerstones ...

Cooperative owners

Together, we must preserve our sense of pride and our commitment



Pride and influence

We have direct influence and a shared responsibility for preserving our sense of pride in our cooperative

Capital

We must ensure capital in the company and at the farms

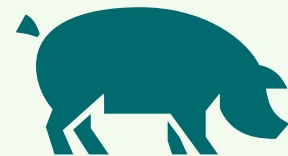


Joint and active ownership

We are co-owners of a cooperative and must balance the capital available in the company and at the farms

Raw materials

We must provide stable supplies of quality raw materials



Simple settlement

Our settlement of slaughter animals is simple, fair and competitive

... Ownership benefits ...

How the ownership strategy came into being

The work on the ownership strategy began in August 2019 when the Board of Directors and the Board of Representatives embarked on discussions on what Danish Crown's timeless objective is, to whom an ownership strategy should be addressed and what an optimal ownership structure looks like – in short, how sales of slaughter animals are optimised.

The work began on the Board of Directors and subsequently continued on the Board of Representatives. The results of the work was presented at local district meetings held in December 2019, and the project was subsequently finalised at three meetings of the Board of Representatives.

Capital at the farms and in the company

Danish Crown has developed into an international food company with broad market access and a high degree of raw materials processing. This requires capital in the company.

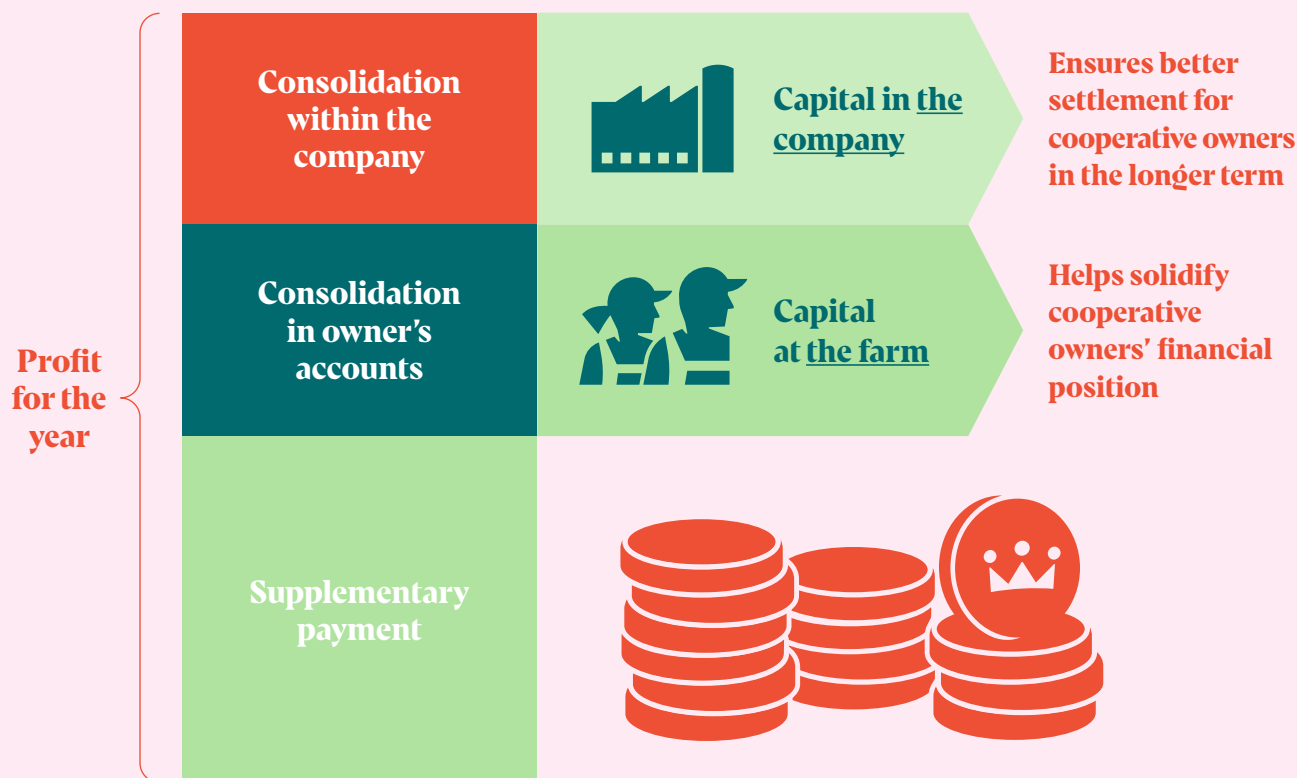
As cooperative owners and thereby owners of Danish Crown, we must ensure capital in two places. Capital must be available at the farms for operations and development and for ensuring profitable farm operations. At the same time, sufficient equity must be available in the company as the cooperative owners of Danish Crown are the sole owners and thus solely responsible for capitalisation.

The high degree of processing pursued by, in particular, Danish Crown requires substantial capital and thus equity

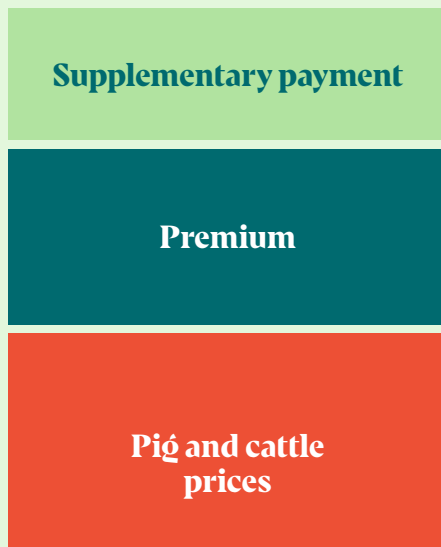
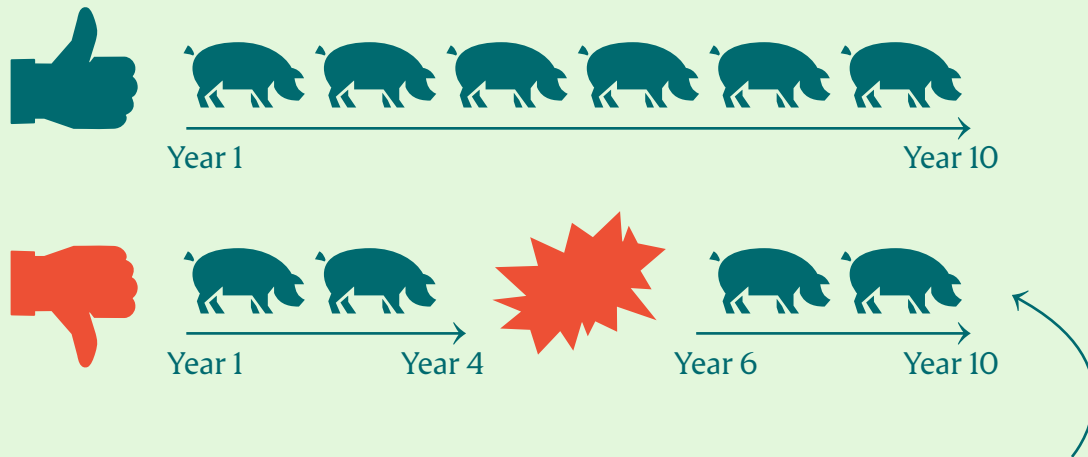
in the company. This processing is also instrumental in ensuring competitive settlement, which facilitates continued profitable production and slaughtering in Denmark.

In other words, the cooperative owners are responsible for ensuring that sufficient capital can be procured for the company now and in the future. Capital requirements and, by extension, equity requirements are increasing because the company is growing and because there are fewer owners to handle the task. Therefore, a large proportion of the equity held by the company will be registered through owner's accounts in order to increase transparency and render ownership visible.

We must ensure capital in the company and at the farms



We must provide stable supplies of quality raw materials



As owners, we work together to promote conduct that benefits the company of which we share ownership

Our settlement of slaughter animals is simple, fair and competitive

Raw materials are key

Having the necessary volumes of raw materials is imperative to Danish Crown. That is the prerequisite for a sound company that can contribute to ensuring attractive settlement to the owners along with Danish jobs and income to the Danish society.

As owners, we must promote conduct that ensures stable and continuous raw material supplies through several years. Given Danish Crown's unique position in Denmark, we cannot pursue models that fix cooperative owners to

the company, nor do we want to. That would be inconsistent with the spirit on which we build our cooperative.

Instead, settlement must be simple and transparent.

If we want what is best for the cooperative, and if we endorse the first two cornerstones, we are also responsible, as cooperative owners, for supplying the right volumes of raw materials.

A community working towards the same goal

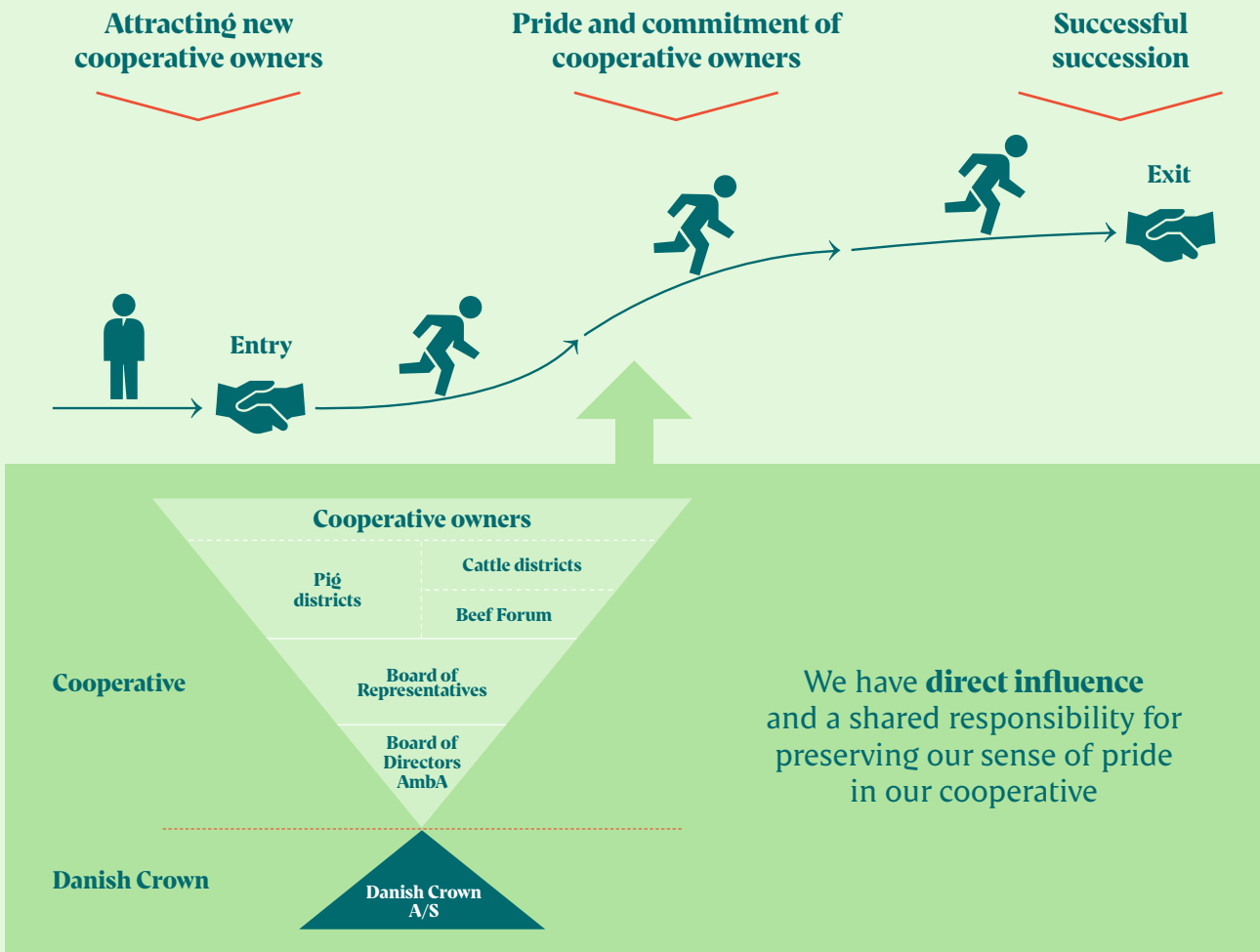
As cooperative owners, we rely on a strong community. This also implies that we are allowed to have expectations of each other – to expect that we stand together both when things are going well, and when the going gets tough. The community is instrumental for the success of the cooperative, and we have – together with previous generations of cooperative owners – jointly built a strong company that we can be proud of.

We need to find that sense of pride and to work out how we can do even better. How do we involve our cooperative

owners? How do we onboard young farmers? How do we make being and having been a cooperative owner of Danish Crown something to be proud of?

We are facing the challenge of getting fewer in number and getting bigger. This contrasts with the fact that the cooperative is basically designed for growing numbers of cooperative owners. This means that our community and commitment as cooperative owners must ensure that the cornerstones do not collapse.

Together, we must preserve our sense of pride and our commitment





Our community spirit and sense of pride are competitive parameters that we need to pursue

A strong spirit of community among our cooperative owners is imperative to us as a cooperative. Therefore, we need to work continuously to strengthen the community surrounding Danish Crown and to smooth the way into the company for new cooperative owners.

Danish Crown should be the natural choice for young farmers starting up a slaughter animal business. Therefore, we put a lot of work into raising awareness of Danish Crown at Danish agricultural colleges, helping young people make a start on an agricultural career and inviting existing cooperative owners to share the challenges they faced when they started their farm.

Young farmers opting to join Danish Crown

- a. become a part of a mentor network providing access to operational input from experienced cooperative owners
- b. are offered a start-up package for newly established farmers
- c. are offered membership of a growth network focusing on new livestock buildings and investment in slaughter animal production.

All initiatives are intended to give the new generation the strongest possible foothold in the company.

In addition, we work to make being a cooperative owner of Danish Crown something to be proud of in order to attract more farmers. Danish Crown should always be an integral part of cooperative owners' everyday lives, and our common brand should be visible all the way to the farm. This takes place by involving our owners at district meetings, on the Board of Representatives and in other forums where owners are even more closely intertwined with the company and have a say in the decision-making process. This takes places through our active promotion of our sector. This takes places through our webshop, where cooperative owners can order clothing and accessories with the Danish Crown logo.

There are ample opportunities for making owners proud of our shared company, and new opportunities should be added to the list on an ongoing basis.

Our shared benefits as cooperative owners

As a cooperative owner of Danish Crown, you have access to a number of benefits. Some are fundamental benefits inherent in a cooperative, such as co-ownership and influence, on-time collection and competitive settlement. Others we have built over time, such as competent counselling, digital offers serving to enhance farm efficiency and a greater proportion of registered equity.

Competitive settlement

The first cooperative slaughterhouse, located at Horsens in Denmark was established to ensure that farmers were paid the best possible price for their slaughter animals. More than 130 years later, this remains our key performance indicator. As a cooperative, our goal is not to generate profit for others, but to buy raw materials from our suppliers at the highest price possible.

Right to deliver and growth opportunities

Your right to grow with Danish Crown at any time is unique. There are no limits to farmers' growth in terms of sales. As a cooperative owner, you have a duty to supply slaughter animals to Danish Crown and a right to have them collected. This means that you can always sell your slaughter animals to Danish Crown, no matter how big your farm is and where in the country it is located. The cooperative model is the only model in which this right is embedded.

Co-ownership and influence

One owner, one vote. All suppliers are free to pursue influence through the local districts, the Board of Representatives and the Board of Directors. Through the Board of

Representatives, the co-operative owners have the supreme decision-making powers in Danish Crown and oversee that the business is always optimised in the best interests of the cooperative owners.

Cooperative owner at no cost

As a newly established farmer, you can join the Danish Crown community and network completely free of charge. At the same time you get a share in the values built by Danish farmers through generations.

Counselling and digital solutions

In addition to the task of selling raw materials at the highest possible price, Danish Crown also provides assistance in optimising farms. Danish Crown offers professional advice on how to increase cooperative owners' efficiency and, by extension, earnings. Concurrently, continuous efforts are made to develop digital solutions that provide access to large volumes of optimisation data and facilitate contact with the company.

Registered capital

Capital builds in the company through cooperative owners' supplies. Part of this capital is paid out at the end of the year, and the rest is allocated towards investments and operations. However, the capital not paid out is listed twofold as it is registered to the name of the owner. This means that a cooperative owner always knows how much money he or she has build up in the company and will receive – the company's situation permitting – upon leaving the company.



Strengthened ownership

The cooperative model will take Danish Crown into the future, but the cooperative must be optimised in order to become sustainable.



Over the years, we cooperative owners have built a joint company that allows us to part with our slaughter animals at the barn door resting assured that they have been sold at the highest price possible at the time they leave our farm. We can also expand our production knowing that we can always sell the extra slaughter animals.

This requires a strong and healthy company with the necessary means to optimise the price of the raw materials supplied by cooperative owners.

Working with the ownership strategy, we considered a variety of ways to strengthen our company, the overriding objective being to find an answer to the question: Are we the right owners of Danish Crown? The cooperative model is still the best vehicle for taking Danish Crown into the future, but we need to review the way we are cooperative owners in order to ensure that the company is in the strongest form possible.

Letting matters take their course is not an option. The cornerstones of our company – our pride in being cooperative

owners, our capital base and our supplies of raw materials – need to be as strong as possible.

With this end in view, we are registering a greater proportion of our capital in order to render ownership more visible. We are stepping up efforts in relation to young farmers to make the prospects of a future in Danish Crown more attractive. We maintain our transparent settlement model.

We need to ensure that our three cornerstones are strong and that we as cooperative owners are aware of our responsibilities within the company.

We need to reaffirm our belief and pride in cooperative ownership. We need to ensure continuous and increased supplies. We need to ensure that our company has sufficient capital to develop.

When we succeed, our joint company will be in a strong position to fulfil the timeless objective for the benefit of all owners of Danish Crown.



Find the community

As a cooperative owner, you can seek influence and find community more places in Danish Crown.

Local districts

Danish Crown's cattle and pig districts meet twice a year in the electoral districts. At these meetings, cooperative owners are updated on the status of the company and have the chance to ask questions of and make proposals to the Chairman and the CEO. Every second year, the local districts hold elections to Danish Crown's Board of Representatives and the Beef Forum. The number of representatives to be elected by each local district is determined by the total number of kilos supplied by the district in question.

Beef Forum

The Beef Forum is committed to providing and developing the range of services and concepts offered by Danish Crown Beef to its cooperative owners. The Beef Forum elects representatives from the cattle districts and appoints members to the owners' committee. These members are focused on owner services and market-oriented concepts and also serve on Danish Crown's Board of Representatives.

Board of Representatives

Danish Crown's Board of Representatives is the supreme decision-making authority in Danish Crown. The Board of Representatives consists of cooperative owner-elected representatives from the pig districts, the Beef Forum and the minority groups. The Board of Representatives approves the financial statements and all important decisions affecting Danish Crown by democratic votes.

From among the members of the Board of Representatives, cooperative owners are elected to the Board of Directors of Danish Crown AmbA.

Board of Directors of Danish Crown AmbA

The Board of Directors of Danish Crown AmbA consists of members elected by the local districts, the Beef Forum and the Board of Representatives. The Board of Directors of Danish Crown AmbA is responsible for the overall management of the company's affairs.