



Skånemejerier

# Sustainability Report 2017









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## About this report

This is Skånemejeriers Sustainability Report representing focus, activities and results during the calendar year of 2017. It is a stand-alone Sustainability Report established in line with requirements for sustainability reporting according to the Annual Reporting legislation. The report covers Skånemejeriers fully-owned production facilities and the products sold by Skånemejerier AB. It has been developed to create understanding regarding the development, position, results and consequences of the company activities within the fields of environment, social relationships, personell, respect of human rights, bribes and corruption.

We hope you find this report balanced and interesting. Please contact us with questions or suggestions for improvement via our website: [skanemejerier.se/fraga-oss](http://skanemejerier.se/fraga-oss)

Enjoy!

# Message from the CEO

It is my pleasure to present the forth Sustainability Report from Skånemejerier with focus on the UN Sustainability Goals and how we as a company can contribute to these goals.

2017 has been a complex year in the dairy business due to several reasons. The consumption of milk, yoghurt and cheese has decreased with respectively 2 percent and 3,5 percent. The development has been particularly negative in some segments where Skånemejerier has a relevant exposure, such as the organic segment where the market demand fell with more 6 % as well as the quark market of which demand fell with 8 %.

In this context, Skånemejerier had a consequent volume reduction of -5 percent compared to 2016.

Furthermore, the milk industry experienced increasing raw milk prices on the international market. This price increase has been uneven due to a particularly unbalanced evolution of demand and price related to fat and protein which has created difficulties in managing volume and price in a proper way.

The difficulty of managing volume and price originates in a structural 3-month delay in price change on the Swedish market, that in an inflationary context has a significant negative impact. Therefore, we reduced our cash flow on turnover from 3,9 percent to 2,9 percent what represented -3,5 M€ compared to 2016.

Sustainability is at the heart of our mission and it is the backbone of our strategy, as a result of a holistic approach to the economic, environmental and social aspects involved in the value chain.

Sustainability starts where the raw materials are produced. There are two main principles driving sustainability at this point: animal welfare in the farms and a commitment to produce the highest quality. This is something we develop on a daily basis through our direct interaction with our suppliers as well as our third party quality certification, giving us the certainty we need to ensure that we start our production with the best farms and the highest quality raw material.

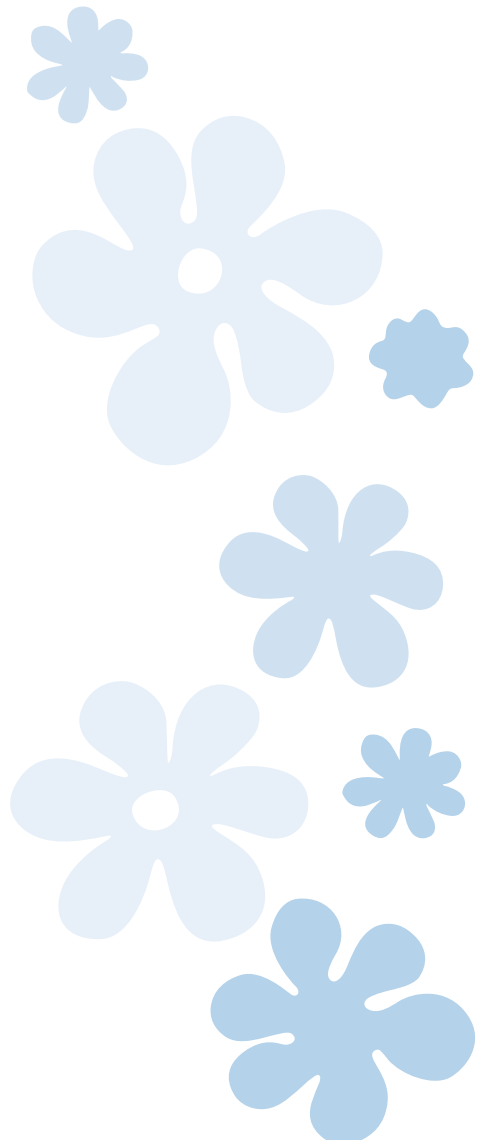
Our direct relationship with our farmers is a key element since they are essential to our activity. We encourage them to apply the best practices in farming and we build long term relationships with them based on mutual interest agreements in order to focus on developing animal welfare and quality. We also want to be an active player to ensure sustainable farming, helping to protect nature.

The second step comes with the operations, both industrial processing and logistic flows. After having achieved our goal to reduce CO<sub>2</sub> emissions from production with 50 percent by 2020 we set a new goal in 2017 to reduce our CO<sub>2</sub> emissions with 95 percent by 2020. At this moment we are already at 92 % after reducing CO<sub>2</sub> with 7 000 ton during 2017.

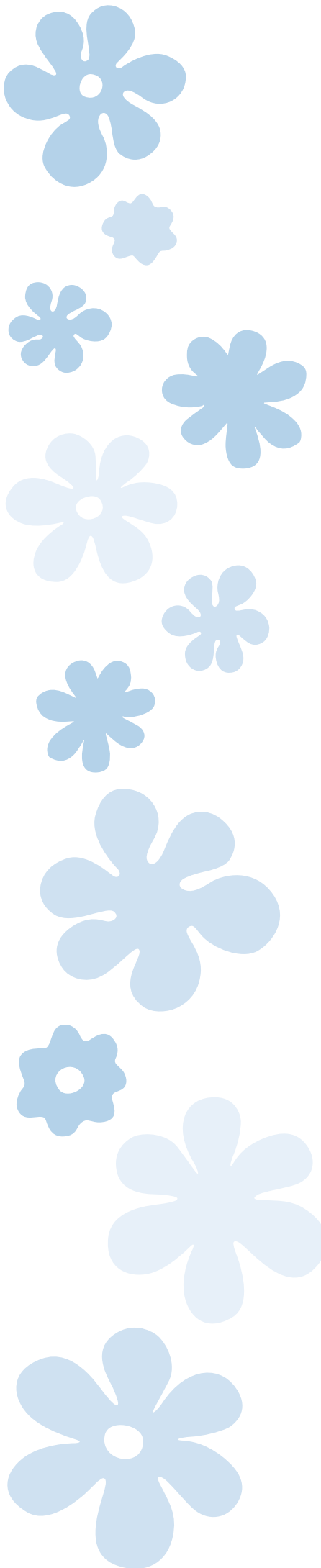
From a logistic perspective, we have worked to improve our sustainability by decreasing our logistic cost and our environmental impact by shortening our logistic flows. An important step forward has been taken thanks to the production increase in Malmö, which lead to a reduction in transport from other plants in Sweden and Europe, as well as the investment in an automatic warehouse allowing us to decrease the energy consumption. We keep working to reduce our carbon footprint and we have established a new objective in 2017 in our commitment to protect nature and reduce risk of climate impact. We will reduce CO<sub>2</sub> emissions from national transportation by 70 % in 2025 compared to 2010.



José Antonio Lalanda, President Skånemejerier







Nevertheless, our production increase in Sweden did not let us achieve our goal to decrease our energy consumption by 3 % as targeted. Therefore, we could only decrease consumption in our plant in Hjo by 0,3 % and the cheese production plant in Kristianstad where we decreased by 0,9 % thanks to several improvement projects.

Concerning our target to evolve our packaging towards 100 % renewable materials, unfortunately we could not approach it during 2017 due to the important priority we had to manage the investments to increase production in our plants, therefore it keeps being in our target list for 2018 within the frame of our 2030 commitments.

As an employer, we work to become a better place to work every day, for personal and professional development. The employees help us increase the level of commitment with a performance driven business project. There has been a cultural shift coming from a cooperative moving to a privately held international company, very much focused on performance. This shift has called for change management. For this reason, we have had a higher employee turnover, in particular during the last two years. Therefore it has been critical to monitor the employee satisfaction level through the yearly employee survey, as a measuring tool allowing us to work in the right direction to retain and develop talent and motivation. By working hard in this direction, together with the attractiveness of belonging to a leading international Group, we are able to attract and develop very qualified and talented employees, which is a key success factor for the Company.

The last step is related to our commercial relationships. We work hard to drive value to our customers through the joint development of our categories and segments where we strive to be the best partner. We create value in business development both through increasing volumes and through innovation.

We build solid relationships and partnerships with our customers, since commitment and stability are key for sustainable development in the value chain. By developing partnerships, we can work daily to balance our demand on dairy products and derivatives to match our milk collection exploiting the maximum the benefits of all milk nutrients and minimizing the costs of managing excess or spoiling resources.

This way we are committed to bring added value to our consumers by providing solutions to solve their nutritional needs with high quality and innovative dairy products and juice. We do it by adding value to every link of the value chain, protecting nature, developing partnerships with suppliers and customers striving to represent the best value creation alternative, getting our employees engaged and achieving all these goals in a profitable way.



José Antonio Lalanda, VD Skånemejerier



# Highlights 2017

## ANIMAL WELFARE

86 % of our cows move around freely whereas the Swedish average is 58 %.

100 % of our farms are ISO 9001 certified with a focus on animal welfare and the environment.



## ECOSYSTEMS AND BIODIVERSITY

14 % natural pastures on our farms, which preserve and protect biodiversity.

100 % responsibly-produced soy related to food of animal origin.

100 % GMO-free for the Skånemejerier brand.

## DECENT WORK CONDITIONS AND ECONOMIC GROWTH

97 % of all managers and team leaders participated in training on working conditions in 2016–2017.



## DIVERSITY

Skånemejerier is participating in the European Social Fund project "The Way In" which helps residents of Malmö who were born abroad to find employment.

## COMMUNITY ENGAGEMENT

30 000 people participated in the 2017 Kalvinknat fun run for children up to the age of ten – a new record.







## THE ROLE OF THE FARM IN SOCIETY

44 000 visitors came to our events in the spring when the cows are released into the fields after winter (the “kosläpp”).

## TOWARDS FOSSIL-FREE PRODUCTION

92 % fossil-free production including our production in Malmö, Kristianstad and Hjo.



## TOWARDS FOSSIL-FREE TRANSPORTS

69 % reduction in CO<sub>2</sub> emissions from our transport since 2010.

## COMPLAINTS

13 % fewer claims in 2017 compared to 2016



## RESEARCH AND DEVELOPMENT

In 2017 we started a project on reducing climate impact with the Swedish University of Agricultural Sciences in Alnarp.



# Vision, Mission Statement & values

## VISION

***“The most sustainable dairy company in Sweden”***

For Skånemejerier, sustainability is about running the business aiming at the future. We want to contribute to solving society’s shared challenges by creating nutritious products and by minimizing the risk of negative impacts on people and the environment, connected to our value chain, while taking advantage of the business opportunities created by new, innovative and value-creating business models.

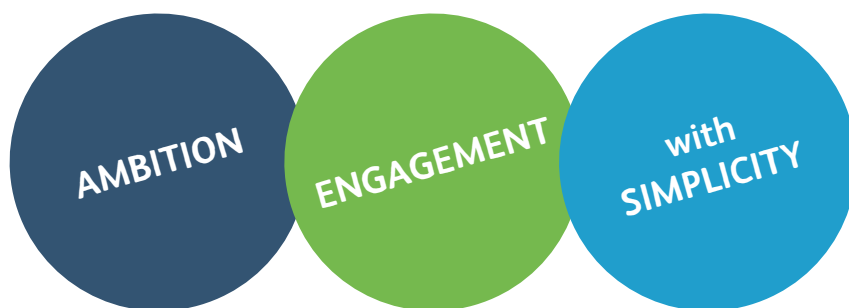
## MISSION STATEMENT

We bring added value for our consumers to solve their nutritional needs with high quality and innovative dairy products and juice. We do it by adding value, protecting nature, developing partnerships, cooperate with suppliers and getting our employees motivated and engaged, offering the best value creating alternative for our customers- in a profitable way.

## OUR VALUES

### – AMBITION, ENGAGEMENT, SIMPLICITY

We have adopted the Lactalis Group’s values in order to strengthen our affiliation to our owners, the French Lactalis Group. This is the basis for how we work together to achieve results.



Collective and individual performance, business and people development.

We are entrepreneurial, we take responsibility and we are loyal.

Accessibility, modesty, transparency, pragmatism.



UN Sustainable Development goals

## GUIDED BY THE SUSTAINABLE DEVELOPMENT GOALS

The world's leaders have committed to 17 global goals to eliminate extreme poverty, reduce inequalities, solve the climate crisis and promote peace and justice by 2030. If these goals are to be achieved, everyone must know them. So we have chosen to link our mission statement directly to these goals.

### MISSION STATEMENT

We bring added value for our consumers to solve their **nutritional needs** <sup>2</sup> with high quality and innovative dairy products and juice. We do it by **adding value** <sup>12</sup>, **protecting nature** <sup>15</sup>, **developing partnerships** <sup>17</sup>, **cooperate with suppliers** <sup>8</sup> getting our **employees motivated and engaged** <sup>8</sup> offering the best value creation alternative for our customers – in a profitable way.



The UN Sustainable Development Goals are connected to the Agenda 2030- a plan of action for people, planet and prosperity. All countries and all stakeholders will implement this plan and the 17 goals and targets will stimulate action over the next fifteen years in areas of critical importance for humanity and the planet.

Skånemejerier has chosen five of the UN Sustainable Development Goals to guide the business towards 2030. These five goals have been chosen because they represent the company's potential positive impact that is the ways in which the company can contribute to global sustainability. These five goals also represent areas in which Skånemejerier creates value, providing benefits for the business and its stakeholders.



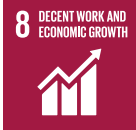
**ZERO HUNGER. End hunger, achieve food security and improved nutrition and promote sustainable agriculture.**

Global population growth means that we have to use the planet's resources responsibly. Sweden is well-suited to dairy farming, with available land, open landscapes, biodiversity, good animal husbandry, efficient production and skilled farmers. Our sector, with its natural context, working methods and ethics, can therefore contribute to development and food security in a sustainable way. Furthermore, we can create preconditions for better diet via different initiatives and partnerships in society and healthy product development.

Of the targets that underpin Sustainable Development Goal 2 – "Zero hunger" – it is target 2.4 that we wish to focus on towards 2030:

*2.4 We want food production systems to be sustainable and to introduce resilient farming methods that increase productivity and production, as well as helping maintain ecosystems, increasing capacity for adaption to climate change and gradually improving land and soil quality.*





## **DECENT WORK AND ECONOMIC GROWTH.** **Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all.**

Our Code of Conduct and Diversity Policy will protect workers' rights and improve the working environment for all employees. We wish to build a good place to work by increasing diversity, ensuring equal treatment for women and men, increasing economic productivity through diversity, technological development, education and innovation. In this area it is an advantage to be part of an international group and we want to work together with other parts of the Lactalis Group to achieve these goals. Our role in society should be reflected in the partnerships we establish, which should lead to sustainable growth.

Of the targets that underpin Sustainable Development Goal 8 - "Decent work and economic growth"- it is target 8.5 that we wish to focus on towards 2030:

***8.5** We want to achieve full and productive employment and decent work all women and men, including young people and persons with disabilities, and equal pay for work of equal value.*

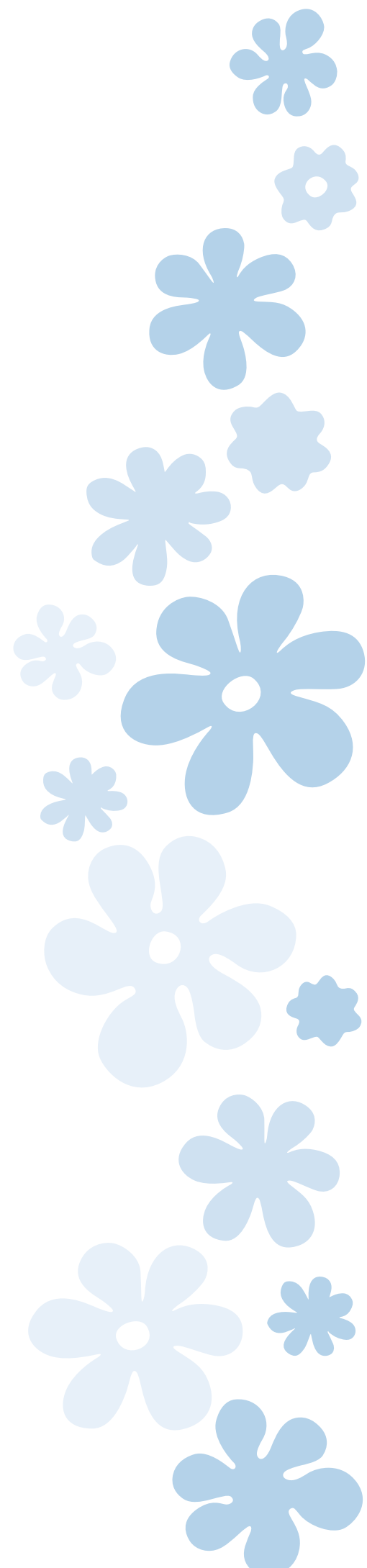


## **RESPONSIBLE CONSUMPTION AND PRODUCTION.** **Ensure sustainable consumption and production patterns.**

We shall promote sustainable consumption and production patterns in close cooperation with suppliers, customers and consumers. We shall do more with less and prevent unnecessary use of resources. We shall prevent waste created from our production and our products. Management of raw materials, energy and water will be made more efficient. We focus on internalization of production, bringing what was previously produced in other countries into our local production scope, lowering environmental impact due to reduction of transportation. We wish to build relationships that lead indirectly to sustainable products and services and we strive constantly for better quality and product safety with a responsible supply chain.

Of the targets that underpin Sustainable Development Goal 12 - "Responsible consumption and production" - it is target 12.5 that we wish to focus on towards 2030:

***12.5** We shall work to reduce waste generation substantially through prevention, reduction, recycling and reuse. Responsibility extends from resource management and waste management to products and consumption.*





## **ECOSYSTEMS AND BIODIVERSITY (LIFE ON LAND). Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss.**

Grazing cattle have benefits for life on land that are difficult to imitate. Ecosystems services and biodiversity are essential for sustainable development and natural pastures are some of the most biodiverse environments in the Swedish farming landscape. A large proportion of these pastures is grazed by dairy cows. According to WWF, a square meter of natural pasture is as biodiverse as a square meter of rainforest, and this is something we want to protect. Biodiversity is an important issue for us and to reduce our environmental impact and protect biodiversity we support responsible production of soy and GMO-free animal feed.

Of the targets that underpin Sustainable Development Goal 15 - "Life on land" - it is target 15.9 that we wish to focus on towards 2030:

**15.9** *We want ecosystem and biodiversity values to be integrated into national and local planning, development processes, poverty reduction strategies and accounts.*



## **GLOBAL PARTNERSHIPS FOR THE GOALS. Strengthen the means of implementation and revitalize the global partnership for sustainable development.**

For the SDGs to be achieved, a sustainability agenda that is shared by different stakeholders is essential, as are partnerships between state, private and non-governmental organizations, universities and communities. In particular we want to be part of the solution for reducing the industry's climate impact. We want to participate in setting the sustainability agenda for our sector and to exchange knowledge and strategies to strengthen the implementation of SDGs.

Of the targets that underpin Sustainable Development Goal 17 - "Partnerships for the goals" - it is target 17.16 that we wish to focus on towards 2030:






**17.16** *We want to enhance the Global Partnership for Sustainable Development, through multi-stakeholder partnerships that mobilize and share knowledge, expertise, technology and financial resources, to support the achievement of the Sustainable Development Goals in all countries, especially in developing countries.*



## COMMITMENTS IN LINE WITH THE UN SUSTAINABLE DEVELOPMENT GOALS

Our starting point for improvement is that we must manage the risks we face while harnessing our positive impacts to drive our business forward. From the five Sustainable Development Goals we have selected to focus on sub-targets, also defined by the United Nations, in order to clarify our ambitions in each area.




### Our commitments to 2030 – driving forces

|                     |   |   |    |   |    |
|---------------------|--|--|---|--|---|
| Goals               | <b>Goal 2</b> End hunger, achieve food security and improved nutrition and promote sustainable agriculture   | <b>Goal 8</b> Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all.  | <b>Goal 12</b> Ensure sustainable consumption and production patterns   | <b>Goal 15</b> Sustainably manage forests, combat desertification, halt and reverse land degradation, halt biodiversity loss   | <b>Goal 17</b> Revitalize the global partnership for sustainable development  |
| Sub-targets         | <b>2.4</b> By 2030, ensure sustainable food production systems and implement resilient agricultural practices that increase productivity and production, that help maintain ecosystems, that strengthen capacity for adaptation to climate change, extreme weather, drought, flooding and other disasters and that progressively improve land and soil quality.  | <b>8.5</b> By 2030 achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities and equal pay for work of equal value.   | <b>12.5</b> By 2030 substantially reduce waste generation through prevention, reduction, recycling and reuse.   | <b>15.9</b> By 2020 integrate ecosystem and biodiversity values into local planning together with our suppliers.   | <b>17.16</b> By 2030 establish partnerships that drive progress in a sustainable direction.   |
| Engagement For 2030 | <p>We aim to continuously enhance our sourcing practices to ensure responsible and ethical partnerships.</p> <p>We support sustainable agriculture.</p> <p>We create natural and nutritious products.</p> <p>We contribute to a better diet with healthy product development, initiatives and cooperations that strengthen possibilities to develop good habits and preconditions for a healthy lifestyle.</p> | <p>We ensure employees are treated according to our Code of Conduct and Diversity policy.</p> <p>We aim to increase profitability by education, diversity and technical upgrading.</p> <p>We shall provide a safe place to work and have a positive impact in terms of human rights on our own organisation as well as our supply chain.</p> <p>We are an active corporate citizen, supporting and engaging the public in line with our goals.</p> | <p>We add value by optimising production and logistics, reducing emissions, waste and utilise renewable energy.</p> <p>We build relationships that result in better services and products, from supplier to customer level.</p> <p>We innovate to seek new market opportunities in line with our vision.</p> <p>We meet our customers needs and stay adherent to market trends and development.</p> | <p>We shall have the highest standard of animal welfare and work to preserve biodiversity and ecosystems.</p> <p>We shall promote biodiversity and maintain natural pastures.</p> <p>We shall require GMO free cow feed and responsible produced soy in relation to all our food of animal origin.</p> | <p>We support research and partnerships to drive progress towards a more sustainable future.</p> <p>We develop through dialogue with different stakeholders in society to achieve sustainable development.</p> <p>We aim to use research as a guiding tool to attain our goals.</p> |

## SIGNIFICANT RISKS

From the SDGs, we have also identified three significant risks that our operations must manage and reduce. There is more information about our sustainability work in the sections on Planet, People and Production.

## Risk Management: Commitments 2030

|                     | 6 CLEAN WATER AND SANITATION<br>                                 | 13 CLIMATE ACTION<br>  | 14 LIFE BELOW WATER<br>  |
|---------------------|---|---|---|
| Goals               | Direct impact<br><b>Goal 6</b> Ensure access to water and sanitation for all.   | Direct & indirect impact<br><b>Goal 13</b> Take urgent action to combat climate change and its impacts.   | Indirect impact<br><b>Goal 14</b> Conserve and sustainable use the oceans, seas and marine resources.   |
| Sub-targets         | <b>6.3</b> By 2030, improve water quality by reducing pollution, eliminating dumping and minimizing release of hazardous chemicals and materials. | <b>13.3</b> By 2030 Improve education, awareness-raising and human and institutional capacity on climate change mitigation, adaptation, impact reduction and early warnings.  | <b>14.1</b> By 2025 prevent and significantly reduce marine pollution of all kinds in particular land based activities, including nutrient pollution. |
| Engagement For 2030 | We invest in water sanitation, measure and follow up on water emissions.<br>We operate according to best practice and best available technology.  | We invest in green energy, alternative fuels and supplier requirements.<br>We aim to reduce climate impact on farm level with help from our farm certification.<br>We educate farmers and employees to ensure control of environmental aspects in terms of CO <sub>2</sub> emissions. | We set high standards and we monitor nutrient plans, water usage and chemical management on farms to achieve sustainable agriculture.                 |

## BUSINESS MODEL AND MATERIALITY ANALYSIS

Our business model is reviewed on an annual basis. It shall result in added value for the future, in line with the UN Sustainability Goals, ranging beyond laws, regulations and standards.

Present time we include 5 goals but this can evolve in the future.

### STAKEHOLDERS

Owners

Nature

Farmers

Animals

Suppliers

Employees

Costumers

Consumers

Vision

Mission

Values

### FOCUS AREAS

**Goal 2.4** Ensure nutritious and sustainable food production systems and resilient agricultural practices.

**Mål 8.5** Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all.

**Goal 12.5** Ensure sustainable consumption and production patterns.

**Goal 15.9** Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss.

**Goal 17.16** Strengthen the means of implementation and revitalize the global partnership for sustainable development



Legislation & International standards



## MATERIALITY ANALYSIS

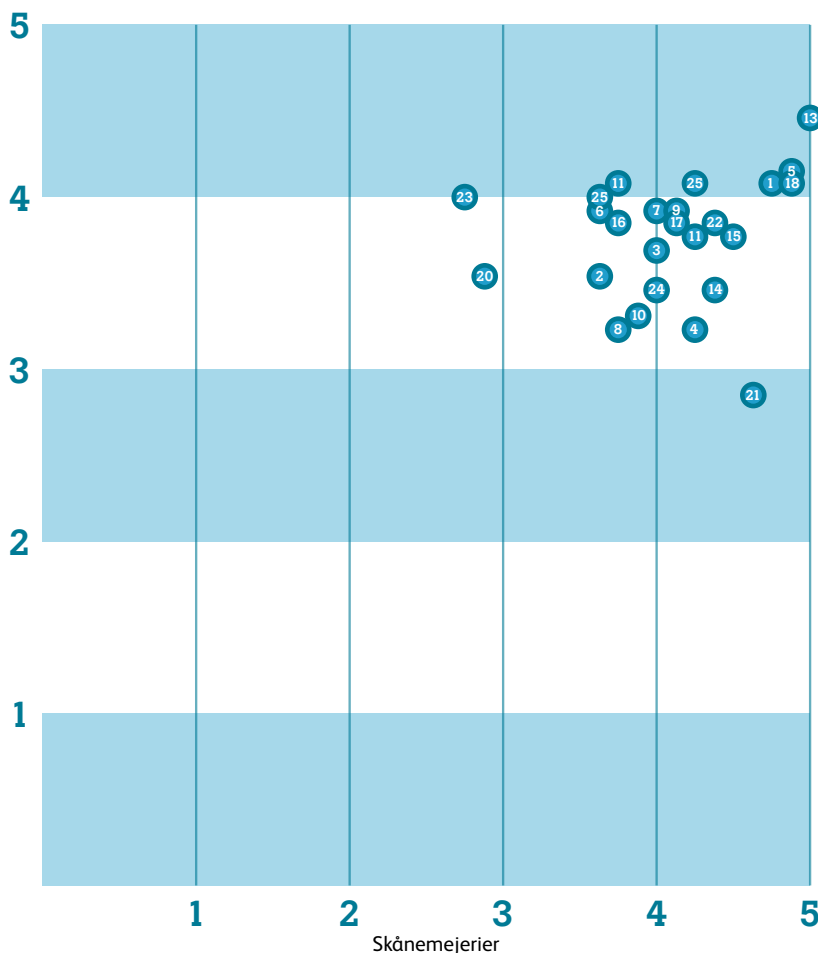
By listening to our consumers and customers, our dairy farmers and suppliers, our employees and other stakeholders, we ensure that our company will remain relevant and sustainable in the future.

Skånemejerier carries out a materiality analysis once every three years to determine the most important areas for Skånemejerier to work with and communicate. The last one was done in 2015. The analysis was done internally by Skånemejerier's sustainability group, and externally with stakeholders. Business leaders, suppliers, municipalities, transport companies and students were interviewed. Through the dialogue with our stakeholders we learnt how different groups regard our sustainability work today, and the expectations they have of us in the future.

The materiality analysis identified four issues that are especially important, both for our external stakeholders and within Skånemejerier:

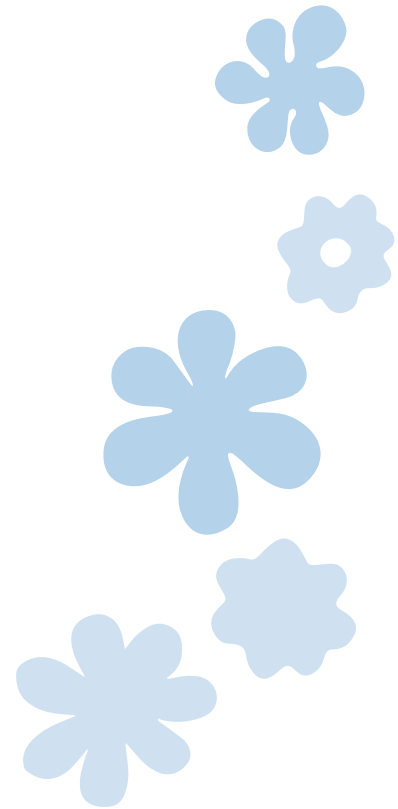
1. Good animal welfare
2. Product safety
3. Labelling of Swedish products
4. Locally-produced milk and traceability

These are areas in which we are already active. We will continue to focus our efforts in these areas to enhance our positive impact and to address the risks we have identified with regard to the SDGs.



1. Locally produced milk/traceability
2. Risks relating to climate change
3. Healthy products
4. Working environment – e.g. work-related injuries
5. Product safety
6. Environmentally friendly packaging materials
7. Product labelling
8. Career and staff development
9. Emissions of CO<sub>2</sub> (prod. and transp.)
10. Diversity
11. Non-discrimination
12. Cartels or the like
13. Good animal welfare
14. Different feeds purchased by farmers
15. Anti-corruption
16. Organic production
17. Payment to suppliers (dairy farmers)
18. Labeling of Swedish dairy products
19. Consumption of natural resources
20. Support of charity organisations
21. Product development
22. Responsibility in the value chain
23. Social projects in our local areas
24. Eco-labelled chemicals
25. Dairy farming's environmental impact

Aspects towards the right-hand corner are those that both stakeholders and our CSR team value most.

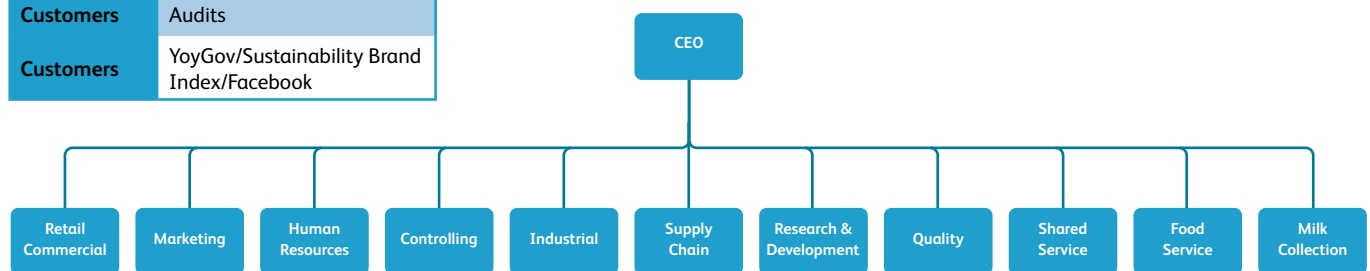


| Stakeholders      | Evaluation System                          |
|-------------------|--|
| Owners            | KPIs                                       |
| Nature            | Farm Certification                         |
| Farmers & Animals | Farm Certification                         |
| Suppliers         | Contract agreements & audits               |
| Employees         | Employee Survey                            |
| Neighbours        | Complaints                                 |
| Authorities       | Inspections & Environmental Report         |
| Customers         | Audits                                     |
| Customers         | YoyGov/Sustainability Brand Index/Facebook |

In addition to our materiality analysis, we keep up to date with the concerns of our stakeholders through a variety of evaluation systems.

These evaluation systems are integrated in our improvement work by continuous analysis and reporting of results on management level also according to management review requirement in line with ISO 14001.

We feel close to our stakeholders concerns and approach these with continuous dialogue and corrective actions.



## SUSTAINABILITY ADDRESSED AT ALL LEVELS

For Skånemejerier sustainability shall permeate every part of the business and lead to effective work to fulfil our action plans and achieve our goals. The management Board is responsible for setting the direction of the sustainability work. The Board consists of representatives from the entire supply chain and has overall responsibility. Significant changes in focus areas and goals are to be decided at Lactalis Group level.

The driving force behind our sustainability efforts comes from our committed employees. For maximum effect, we have chosen to manage these issues in a Sustainability Group made up of representatives from different departments and functions within Skånemejerier's operations. Together, we cover the entire value chain from farm to store and out into society. There are experts on everything from milk collection, purchasing, product development, logistics and HR to environment, quality, events, marketing, sales and social media. In this way we can apply cross-functional perspectives to economic, environmental and social sustainability.



The Sustainability Group

***"The Sustainability Group is extremely valuable. Everytime we meet we learn something new. Transparency is key for employee engagement and we maintain it with an open dialogue."*** Corporate Sustainability Manager, Anna Frey-Wulff

Starting from our systematic improvement system and the SDGs, the Sustainability Group discusses Skånemejerier's challenges in a forum governed by clear objectives and action plans.

Working this way, cross-functional, leads to more efficient solutions since knowledge and experience lead to improvements across departments and processes. In today's business it is important to make the most of the available skills and thanks to our sustainability team we have the opportunity to do this. At the same time, we increase understanding within the organisation of how the entire supply chain works.

The Sustainability Group is co-ordinated by the Sustainability Manager who ensures that the group's activities are anchored strategically by presenting to the management board.





# Our organisation and our brands

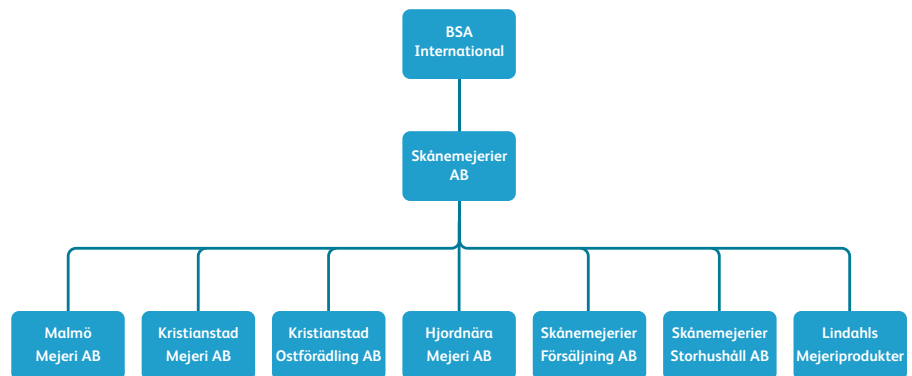
Skånemejerier has its roots in Skåne soil but is also a well known brand throughout Sweden. For a long time we have had a strong presence in southern Sweden and we are pleased to see growing interest in our products in other parts of the country.

## OUR ORGANISATION

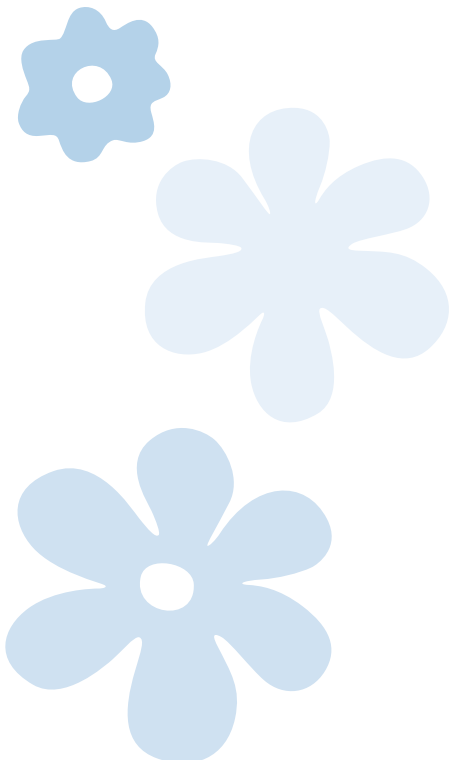
Skånemejerier AB was founded in 1964, when four Skåne dairy associations chose to merge to form the Skånemejerier Economic Association. Since the summer of 2012 Skånemejerier has been wholly owned by the French Groupe Lactalis, a multinational dairy company head-quartered in Paris.

Lactalis was founded in 1933 by André Besnier, and is still owned by the Besnier family. Today, Lactalis has 75,000 employees and owns more than 230 plants worldwide in 43 different countries. Being part of such a large group means that we have the advantage of working in a growing network in which experiences are shared between actors in different countries.

Most of the Skånemejerier Group's sales to Swedish grocery stores are done by Skånemejerier Försäljning AB. The Group's head-quarters, senior managers and other staff are located within this company, in Malmö.



Sales to grocery stores are also made by Lindahls Mejeriprodukter AB, and Skånemejerier Storchushåll AB sells to the Swedish wholesale market. The Group's production operations are currently located in Malmö Mejeri AB, Kristianstads Mejeri AB, Hjordnära Mejeri AB and Kristianstads Ostförädling AB. All subsidiaries are wholly owned by Skånemejerier AB. The parent company continues to be responsible for the Group's milk purchases. We have around 600 employees and around 350 farms in Skåne and southern Sweden supplying our dairies with milk.



## OUR BRANDS

Skånemejerier AB's operations include the production and sale of milk, cream products, cheese, cooking fat, various fermented products and fruit drinks. Among our brands are Hjordnära, Åsens, Lindahls, Allerum, BRAVO and Skånemejerier. Production takes place primarily at the brands' own dairy plants in Malmö, Kristianstad and Hjo, but there is also production of branded products by external partners, such as fruit drinks from external suppliers in the South of Sweden.

We have the highest market share in southern Sweden but there is also interest in our milk, yoghurt and our fermented products in the rest of Sweden and in Europe. Today we export to Belgium, Denmark, Finland, France, Norway, Poland and the UK for example.



When buying a dairy products with the Skånemejerier label, you can be certain it comes from 100 % Swedish milk, something that is highly valued by Swedish consumers. In a recent study, 73 % of the respondents said Swedish origin is one of the most important criteria when buying dairy products.

In recent years we have seen a clear trend for consumers demanding healthier products. In response we have, for example, produced protein yoghurt and quark, as well as a BRAVO fruit drink with 30 % lower energy content. In 2017 we introduced 35 new products.

We see continued demand for low-priced products, which results in strong downward price pressure. A clear sign of this is that private label products have taken, and are expected to continue to gain, market share. This also means that the market for premium products is expected to become even more competitive. Therefore innovation is becoming increasingly important for achieving long-term and sustainable success. Our ambition level is high and a number of innovations are created annually in collaboration with the others in the Lactalis Group. In 2017 the company has also strengthened its presence in the private label segment.



Skånemejerier







GJORD PÅ  
SVENSK  
MJÖLK



|                            |     |
|----------------------------|-----|
| MILK                       | 49% |
| CREAM                      | 11% |
| YOGHURT, SOUR MILK & QUARK | 15% |
| CHEESE                     | 5%  |
| JUICE                      | 19% |
| OTHER                      | 1%  |



A good understanding of consumers' needs and expectations drives our work. Through continually gathering and analysing information we want to inform our customers and enable them to make informed choices, as well as meeting the demands of the market. We are constantly striving to achieve new goals by finding constructive and long-sighted solutions.

As we summarize 2017, we can see that Skånemejerier's focus on sustainable production is becoming increasingly visible within the company and is discussed daily in all parts of our business. However, demand for organic products declined in 2017. For example, 6 % less organic milk and 11 % less organic yoghurt were sold in 2017 compared with 2016.

We focus a lot on what the majority of our consumers want and what they choose but we also try to accommodate specific requests, proposals for new developments, and other comments from the general public.

## CONSUMERS INPUT

It's thanks to our consumers that we are here! We want to understand consumers' wishes and tell them about how we work. It is important that the consumer is seen and heard. The most direct contact we have with our consumers is through social media, especially via Facebook and Instagram where we receive twenty questions a day. It is positive that so many want to know more about the food they buy and our policy is to answer all questions. We get the most questions about how we ensure good animal care on the dairy farms. Many questions are also about our packaging and how it is best recycled.

Therefore it is great when we receive confirmation from our consumers that they appreciate what we do.

Sustainable Brand Index gave us top placement which we are very happy and honored about. It is the biggest independent brandstudy in the Nordic countries with focus on sustainability. Helped by consumer interviews they seek answers to how sustainable brands are perceived and the target group is consumers ranging from 16-17 years old.

Totally they interviewed about 44 000 consumers in all four nordic countries and each brand has been randomly evaluated by at least 1000 consumers. The amount of consumers in Sweden was about 11 000 consumers this time.

Sustainable Brand Index are mapping how companies work with sustainability and brand communication. The purpose is to make the value of sustainable brand communication visible and to spread the knowledge regarding this. By motivating, inspiring and providing a tool they encourage companies to improve. We ended up as number 16 on the list of Sweden's most sustainable companies which means that we are perceived as the most sustainable dairy company in Sweden.



# Framework for sustainability reporting and key performance indicators

We have chosen to report on how we work with sustainability and significant aspects in three chapters:

## PLANET PEOPLE PRODUCTION

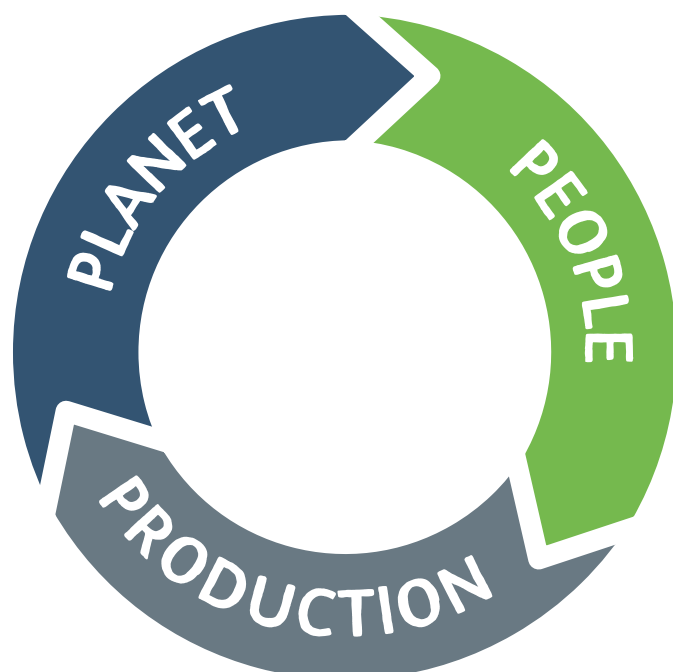
**PLANET** – describing Skånemejerier's role and focus with regard to how our business affect the planet indirectly with focus on social responsibility, environmental conditions, partnerships for sustainable development and positive aspects where we are closest to the planet, in the supply chain.



**PEOPLE** – describing Skånemejerier's role and focus with regard to how the business directly influences our employees and how we indirectly affect people through social engagement, activities, education and different arrangements.



**PRODUCTION** – describing how Skånemejerier works continuously to optimise and streamline production to protect the environment, address risks of emissions and to create products that are economically sustainable, responsibly produced and adapted to people's needs.





## SCOPE AND RISK MANAGEMENT

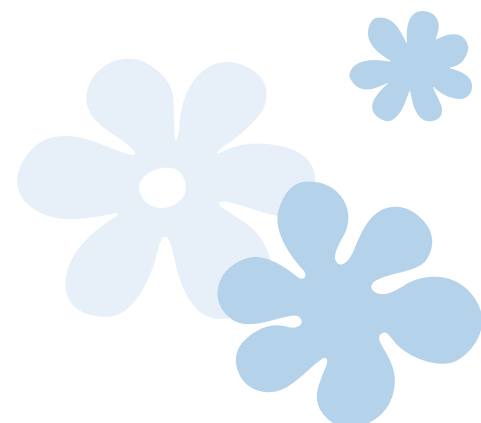
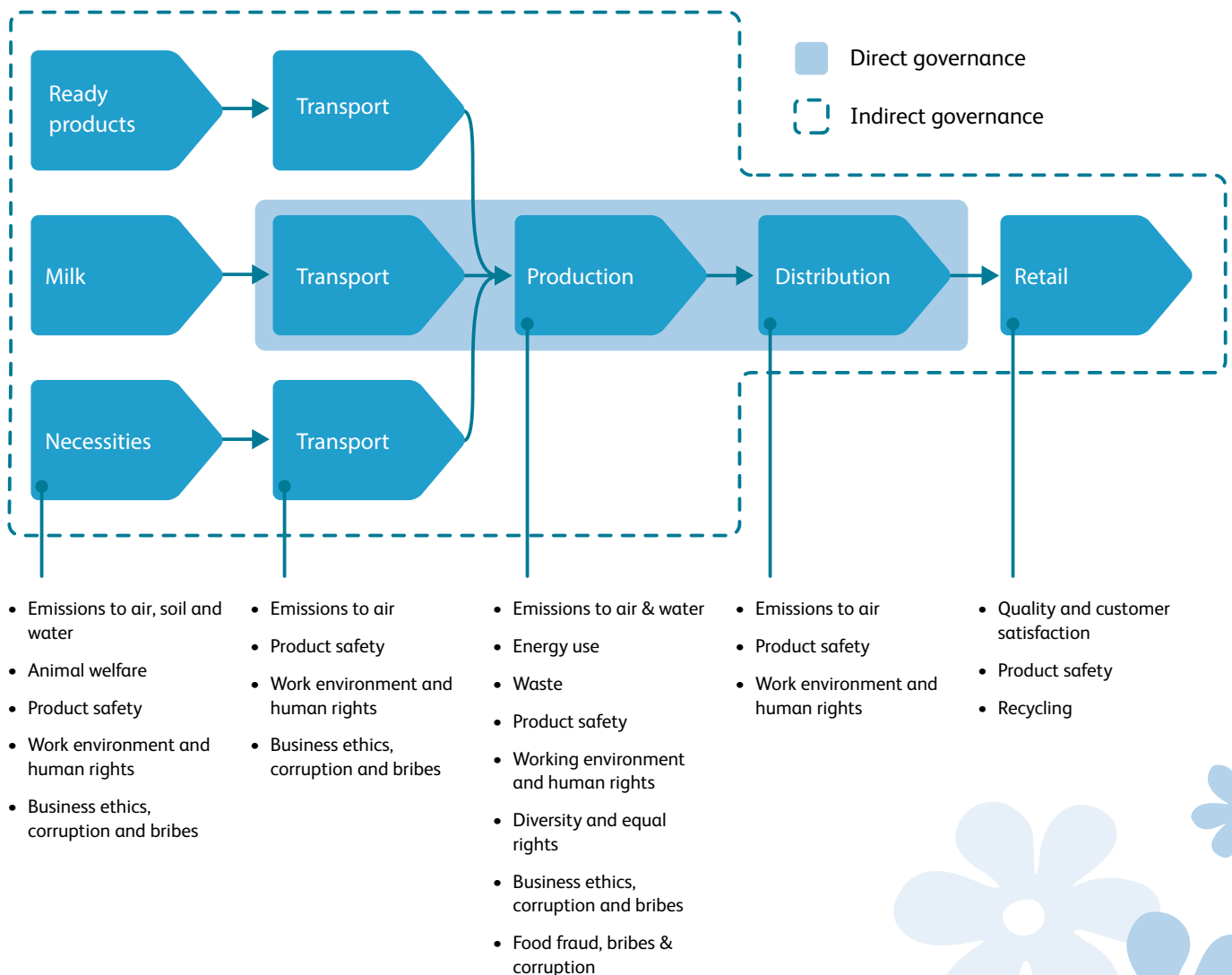
The measurement framework for our continuous improvement system covers the things we can influence (positively and negatively), with direct and indirect governance.

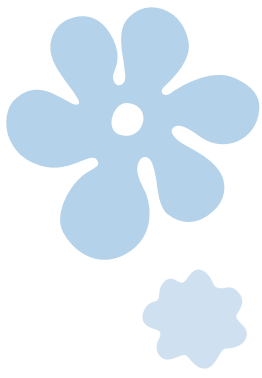
Our risk management is based on risk assessment in accordance with ISO 14001, legislation and other material risks that have been identified through our examination of the whole supply chain. Our work is governed by our management system, policies, key performance indicators and action plans with defined roles, responsibilities and authorities in line with Swedish legislation.

The report content and topic boundaries is described below based on what we define as Direct and Indirect control.

**Direct governance** include the organisation we govern, including directly invoiced transport and distribution. We have developed key performance indicators within this field to minimise our environmental, social and economic impact.

**Indirect governance** is the impact our organisation has as a result of the business relationships that are necessary for Skånemejerier and that are outside the scope of Direct governance. Within this field we minimise the environmental, social and economical impact that our organisation has via steering supplier requirements and audits.





## RESULT PARAMETERS

In 2017 we compiled goals, key performance indicators and action plans to address significant risks and opportunities, all within the overarching sustainability framework. These key performance indicators measure the things we want to focus on in the short- and long-term, included in the operations of Skånemejerier AB. We will measure these key performance indicators annually from now on and the results will be described in the chapters Planet, People and Production.

| Subject                             | 2020 | 2030 | Target   | Sustainable Development Goal |
|-------------------------------------|------|------|--|------------------------------|
| <b>PLANET</b>                       |      |      |  |                              |
| Responsible supply chain            | ✓    | ✓    | 100 % of supplier agreements including our Code of Conduct                         | 2, 8, 13                     |
| Protect Environment                 | ✓    | ✓    | Maintain present level of ecological milk.   | 2, 13                        |
| Protect Environment                 | ✓    | ✓    | Preserve natural grazing fields  | 2, 14, 15                    |
| Protect Environment                 | ✓    | ✓    | 100 % performed energy audit   | 2, 13                        |
| Protect Environment                 | ✓    | ✓    | 100 % GMO free for Skånemejerier brand   | 2, 15                        |
| Increase partnerships for the goals | ✓    | ✓    | Increase registration in "Klimatkollen" with 30 % by 2020. 100 % by 2030.          | 2, 13, 17                    |
| Increase partnerships for the goals | ✓    | ✓    | Create partnership for Sustainability- Alnarp                                      | 13, 17                       |
| <b>PEOPLE</b>                       |      |      |  |                              |
| Employee survey                     | ✓    |      | 90 % response rate   | 8                            |
| Employee survey                     | ✓    | ✓    | 100 % action plans conducted as follow up on employee survey                       | 8                            |
| Education                           | ✓    | ✓    | 80 % of employees conducted education according to individual education plan       | 8                            |
| Absence due to illness              | ✓    |      | Max 4 % total absence due to illness   | 8                            |
| Incidents                           | ✓    |      | Accident Frequency of 13,5   | 8                            |
| Near- miss reporting                | ✓    |      | Increase the near- miss reporting with 85 %  | 8                            |
| Code of Conduct                     | ✓    | ✓    | Continuously update and implement Code of Conduct                                  | 8                            |
| Diversity Policy                    | ✓    | ✓    | Continuously update and implement Diversity Policy                                 | 8                            |
| <b>PRODUCTION</b>                   |      |      |  |                              |
| Energy                              | ✓    |      | 95 % fossilfree energy in production by 2020                                       | 13                           |
| Energy                              | ✓    |      | 3 % reduction in energy usage/unit/year compared with 2014                         | 13                           |
| Fuel                                |      | ✓    | Reduce CO <sub>2</sub> emissions with 70 % by 2025 compared with 2010              | 13                           |
| Water consumption Kristianstad      | ✓    |      | 40 % reduction in water consumption compared to 2015 (via recycling)               | 6                            |
| Water consumption Malmö             |      |      | Goal 2018 to implement more mitigation spots for better control and target setting | 6                            |
| Waste, raw material Kristianstad    | ✓    |      | 40 % reduced COD compared with 2015  | 12, 6                        |
| Waste, raw material Malmö           | ✓    |      | 40 % reduced COD to 2020 compared with 2017  | 12, 6                        |
| Waste                               | ✓    |      | Reduce amount of incinerated waste with 50 % to 2020 compared with 2014            | 12                           |
| Packaging                           |      | ✓    | 100 % renewable packaging  | 12                           |
| Claims                              | ✓    |      | 30 % reduction in claims   | 12                           |





# Planet



Skånemejerier has decided to contribute as much as we can to make our supply chain and

agriculture sustainable in the long- term. We believe that this involves encouraging positive aspects in a sustainability perspective, while working to reduce those risks we can influence through contracts and compliance monitoring. We also keep up to date with research so that we can influence development in the right direction in the best possible way.

## RESPONSIBILITY IN THE SUPPLY CHAIN

A large proportion of Skånemejerier's purchases are of raw materials. Our product range includes everything from locally-produced, organic products to affordable, imported products. To ensure responsibility in our supply chains, it is important that we have control over the purchase of finished products, ingredients such as juices, fruit preparations, cleaning chemicals, energy and everything else that is needed to provide consumers with our products.

If we do not follow up and document compliance carefully, there is a risk that our operations will contribute to unnecessary emissions, child labour and increased climate impact. We want to influence our suppliers positively and we check and follow up to ensure responsibility is taken all along the supply chains. Our goal is to evaluate all suppliers based on a risk analysis and after cooperation has been initiated to follow up and ensure compliance with our requirements.

It is an advantage to be part of a large group like Lactalis in this regard, since the group has had good working routines for a long time through which its suppliers have been reviewed in detail. A network is being initiated in 2018 for the Lactalis Group auditors from around the world to gather in order to streamline audits globally. This means that Skånemejerier can use auditors who are already in the vicinity and we do not need to travel for instance to Brazil to carry out audits, so the climate impact of our business travel can be reduced.

The Lactalis Group's approach is based on detailed review of various quality factors in areas such as product safety, environmental impact, ethics and social impact, including participation in the UN Global Compt, which includes human rights. These quality factors are a prerequisite for signing an agreement with us. Thereafter, there is systematic and careful follow-up, for instance through audit visits, to ensure that suppliers fulfil their commitments. This approach is now applied within Skånemejerier and it has helped to improve procurement procedures. The goal is additionally that 100 % of supplier agreements shall include our Code of Conduct by 2020.

#### INTERVIEW WITH ERIK BÖRTEMARK, SUPPLY CHAIN DIRECTOR:

**What is your role at Skånemejerier?** I'm responsible for the flow of goods, including planning, logistics, distribution and customer service.

**What do you consider the most significant risks in the supply chain?** Globally it's traceability and availability – that products are available and safe. It's important that we do our own checks and ensure that suppliers live up to the standards we required.

There are also risks linked to transport capacity today. This risk is increasing both in Europe and in Sweden. This means that there is a risk for increased cost and a risk not to find capacity at the right quality. Therefore we try to increase ownership and control of transport to address these risks.

**What does sustainability in the supply chain mean to you?** Close cooperation, with particular focus on new and significant relationships. Always doing calculated evaluations based on risk assessments. When it comes to transport it's not uncommon that price reflects the best alternative for the environment since a high loading factor is also best from a cost perspective. By working closely with our suppliers we can increase efficiency together. A close relationship also gives us better insight and thereby better control of risks.

**How do we influence the supply chain in the right direction?** We are good at planning and distribution. We use resources well and focus on reducing waste. We place requirements on our suppliers with regard to quality and ability to deliver. Also we work with several suppliers so we can compare quality, ability to deliver, compliance with our code of conduct and transport policy that include minimum impact on climate, people and nature.

**What does Skånemejerier stand for?** A company that solves problems, for ourselves, our customers and consumers. For consumers we solve problems through innovation. For customers we are flexible and accessible. Internally we keep things simple and help each other.

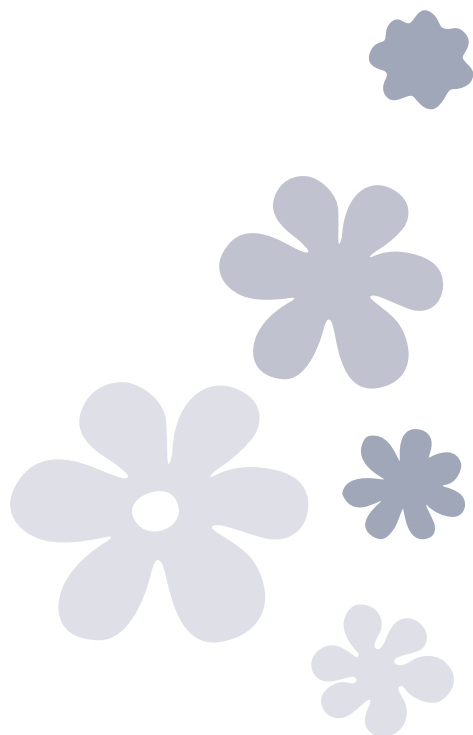
**If you were to swap places with someone within Skånemejerier for one day – who would you swap with?** I would like to swap with the sales manager to get closer to customers.

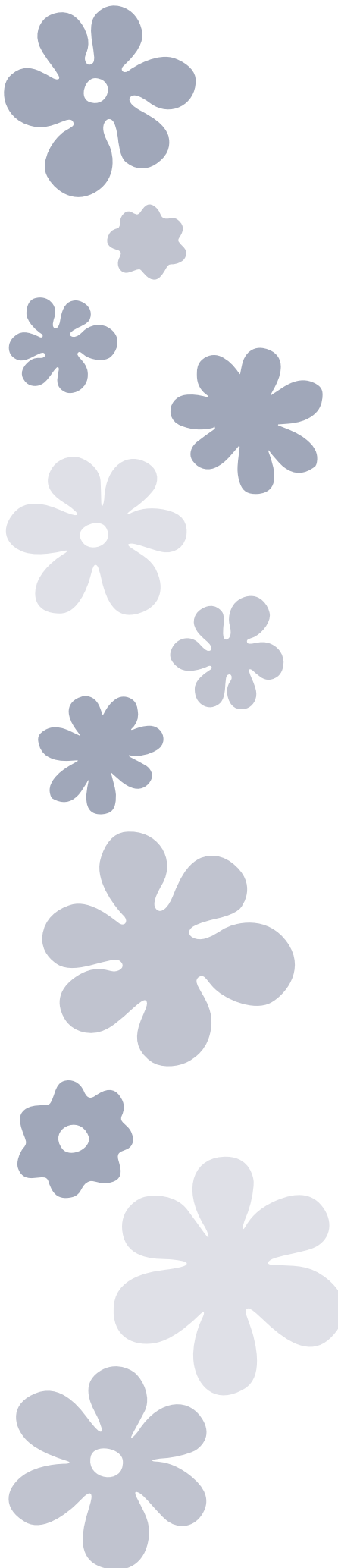


## CODE OF CONDUCT

Skånemejerier's Code of Conduct covers both our operations and our employees. All employees should know its contents since everything we do and what we communicate should be understood by everyone in our environment.

The Code of Conduct describes how Skånemejerier should be a responsible employer that respects and addresses human rights, safety, health and the environment. It also describes how we avoid bribery and corruption and cherish diversity among our employees. Skånemejerier shall operate in accordance with this common value base, which means that with continued focus on efficiency and profitability, we will think long-term and create relationships that will enable the company, customers and suppliers to be successful and thus continue operating for a long time to come.





It is the responsibility of both employees and management to ensure that this Code of Conduct is complied with. The Code guides Skånemejerier in how to behave in different situations. It shows where the boundaries are between appropriate and inappropriate behaviour. All new employees receive the Code of Conduct during their induction and sign that they have understood its contents. All employees are expected to report violations of this Code of Conduct and violations may lead to disciplinary action. Compliance with the Code of Conduct and the document itself shall be reviewed on an annual basis.

## **BRIBERY AND CORRUPTION**

It is forbidden to ask for or give any kind of promise in relation to gifts. Skånemejerier and its coworkers can never use bribes, corruption or other unauthorized replacement in any form in relationship with customers, suppliers, authorities and other decision makers with the purpose of creating or keeping business. Offers and representations can only take place and are only accepted if they are within the framework for good business ethics.

If any hesitation exist in relation to each case the employee shall always contact the closest manager for guidance.

## **SUSTAINABILITY ON THE FARM**



In 2017 Sweden's first food strategy was adopted by parliament. It covers the entire food chain and it is a long-term strategy to help utilize the full potential of the entire food chain. This means increasing food production and making it more sustainable, which may lead to more jobs and sustainable growth across the country and give consumers, regardless of background, better opportunities for making informed choices.

We have selected four focus areas for our work towards sustainable growth related to agriculture. Here we highlight our most significant contributions in these areas and how we work with the risks associated with milk production on the farm:

- Animal welfare and biodiversity
- Climate and emissions
- The role of farms in society
- Research and development

The management of risks in these areas is closely linked to certification of the farms. At Skånemejerier we have been working with the quality management system ISO 9001 since 2012. The farm certification includes inspection of working conditions, plant cultivation, animal welfare and other overall routines in milk production. The inspections are linked to the most relevant aspects of our sustainability efforts. Our farm certification is third-party certified by Intertek which in turn is approved by SWEDAC. The third-party certification engenders trust in our production among consumers and we are proud of all our skilled farmers.



## ANIMAL WELFARE AND BIODIVERSITY

### Sustainable animal husbandry

Animal welfare means doing everything we can to produce good products with a clear conscience. Skånemejerier has worked hard to ensure that the cows are well treated and that their welfare is a central concern on the 355 farms that deliver milk to us. Read more about how we work with animal welfare at [www.kohälsa.se](http://www.kohälsa.se). Since grazing animals play an important role in the management of pastures and in maintaining biodiversity, we have chosen to link these two in this chapter.

### Grazing



Generally grazing animals poses a serious threat to biodiversity because it requires so much farmland for pasture and production of feed, which displaces natural vegetation and wildlife. However this is not the case in Sweden since our grasslands would regrow if not grazed. Therefore grazing animals are needed on the natural pastures to make room for threatened species and biodiversity. Cows are also good environmentalists because when they graze on areas, threatened and rare species are able to establish themselves. Though this is seen in the light that there are not too many animals per acre.

About 50 % of all cows in Sweden are free to move around in barns with cubicles and feeders. In Skånemejerier, 86 % of the cows move around freely. All new barns built today must be built for cows to move around so we are well on the way to 100 %. For cows to be able to move around freely and to graze in a natural way is important for their physique, since they generally suffer fewer injuries to their legs and hooves in these conditions. It also makes a lot of people happy to see cows moving around and grazing, whilst supporting biodiversity.. How would our landscape look without our grazing cows?

Therefore, we wish for the value of ecosystems and biodiversity to be integrated into national and local planning and development processes and to promote the maintenance of existing natural pastures. Our goal is to maintain the natural pastures at the same level as 2017 through to 2030, ie 14 percent. We monitor this through our farm certification programme.

Biodiversity is important for the health of our planet as well as having a direct impact on our lives. The farm plays an important role in keeping biodiversity. By different types of land use and in for example the grass between the fields there are preconditions created for different ecosystems. Biological diversity is not an ecosystem but a prerequisite for the function of ecosystems. A high biodiversity strenghtens the effect of ecological processes. Processes that in their turn provides us with food, clean water and clean air. with food, clean water and clean air. Improved biodiversity, in turn, is beneficial for pollination of other foods that are important to us, fruits and berries, for example. Farmers are important in terms of a range of different ecosystems, not only food. They also provide cultural and esthetic values such as inspiration, belongingness and education.

### Looking after bees

Pollinators are incredibly important for the cultivation of food crops around the world. Our food supply and biodiversity depend on there being many bee species reproducing and continuing to pollinate. In many parts of the world, the number of pollinating insects is decreasing due to diseases and environmental changes.

We can help support bees by cultivating the right kinds of plants in our gardens, but also by setting up more beehives. For the last couple of years Skånemejerier has set up beehives in various places in Sweden to teach children more about why pollinators such as bees are so important for our survival. It is the brand BRAVO that runs the Bravo bee project "Bee Effect", since there is no juice without bees.

### FACTS ABOUT ANTIBIOTICS

Antibiotics are a group of medicines used to treat bacterial infections. When bacteria develop resistance to these medicines we call it antibiotic resistance which is a serious and growing public health problem throughout the world. Both the existence and the spread of antibiotic resistance are linked to the overuse of antibiotics so it is important that antibiotics are used correctly and only when needed. By reducing the spread of disease and infections, the need for antibiotics can be reduced.

In Sweden we have an animal protection law that ensure the caretaking of our animals and it is forbidden to use antibiotics with a preventative purpose.



Bee-keeper visiting us at the annual opening of the natural pastures.



## INTERVIEW WITH LOUISE HEEGAARD, BRAND MANAGER FOR BRAVO:

**What role does Skånemejerier play for BRAVO juice when it comes to sustainability?** As a significant player in the market it's important that we take responsibility beyond what is required of us by legislation. An example is being able to offer an organic range that covers the most popular flavours in the market. Another example is that we try to make the transport of oranges from Brazil as efficient as possible so as to have the lowest possible climate impact, by manufacturing BRAVO from juice concentrate. This means that we don't ship water unnecessarily. The juice is produced in Sweden and we add water here before we pack the juice.

**What does it mean for you as an employee that the company takes responsibility for its supply chain?** For me it's important to be able to feel proud of my employer and that I work in a place that takes responsibility. It's obvious that a big market player should take responsibility for its impact on the planet, and this is something that should be worked on continually, which Skånemejerier does.

**What is the programme "Bee Effect"?** Through BRAVO juice we want to tell people about bees and their significance. So we started the "Bee Effect" in 2015, together with a company called Bee Urban. The Bee Effect is about informing people about how important it is that we take care of our bees, and we've also set up bee hives which are looked after by Bee Urban.

**What's the goal for Bee Power from now on?** The goal is to continue to talk about the impact and importance of bees. You don't need to set up a beehive to help bees. Everyone can help by building homes for bees. Many solitary wild bees live in holes that other insects have already made in trees. We can help them by providing specially-made "bee hotels." It can be enough to drill some holes in a piece of wood and hanging it in a sunny position.

**What does Skånemejerier stand for?** A company with several of Sweden's largest brands, such as BRAVO and Allerm cheeses. If I was to focus on one thing it would be that Skånemejerier is the "little" big dairy that really takes responsibility for the welfare of the cows.

**If you were to swap position with someone in the company for one day, who would you swap with?** I think it would be fun to swap with the Communication & Inhouse Manager who works with PR, social media and our inhouse communications department.



## FACTS ABOUT NITROGEN, PHOSPHORUS AND POTASSIUM

Nitrogen contributes to good growth and beautiful green plants. Nitrogen deficiency results in pale and weak plants. Phosphorus is good for flowering and fruiting, and potassium improves shelf-life. However imbalances can lead to environmental damage. The nutrient balance measures the difference between inputs and outputs of nutrients on the farm, which is reported as a nutrient excess or deficiency.

## Animal feed



Good quality feed is important for our cows to thrive, but how feed is produced and served to the cows is also important for nature. Better oversight of plant-breeding and crop fertilisation plans can reduce the risks of over-fertilisation which in turn can contribute to emissions into lakes and water courses.

In cooperation with the farms Skånemejerier wants to promote and increase the application of sustainable farming methods, so as to reduce emissions of plant nutrients into water courses and the atmosphere. We do this by requiring farms to do nutrient balancing, to keep track of the nutrients phosphorus, potassium and nitrogen in the soil in connection with their crops. Skånemejerier also requires that all farms conduct a feed analysis each year to optimise the feeding of the animals. By knowing the nutritional content of the feed, and by using the right amount of feed, the risk of emissions of plant nutrients is reduced.

The farms also carry out soil mapping to determine the amount of plant nutrients in the soil, pH, soil type and humus content. This enables the farmers to adapt fertilisation and liming plans as needed. No fertilization may take place near watercourses and all fertilisers must be applied to the fields in accordance with strict rules. In Sweden, we have plenty of water in most places. This is something unique, that we should protect.

Chemical pesticides are also used in the cultivation of cereals and protein feeds, which are used in combination with pasture (grass, clover and leguminous plants) as feed. However, food from pastures makes up a large part of Swedish cattle feed, and pesticide use on these crops is very low. We also guarantee that the cows that supply our milk in Sweden are given GMO-free feed.

### Feed on organic dairy farms

The number of organic farms delivering to Skånemejerier has increased by 12 % since 2014 and today we have 56 farms delivering milk for the organic range.

These farms are certified according to KRAV. The cows eat KRAV-labelled feed grown without fertilisers or chemical pesticides. KRAV-certified farms also have a six-month grazing requirement. At least 60 % of the feed is produced locally, usually coming from the same farm. Cows that produce organic milk eat mostly grass/silage, just like other cows. They also receive supplementary feed that is also KRAV-certified. KRAV is Sweden's best-known organic certification for food. The requirements are based on ecology with especially high standards of animal care, health, social responsibility and climate impact.

### Sustainably produced soy



Soy is used mainly as animal feed in the production of meat, milk and eggs and in fish farming. The production of soy leads to greenhouse gas emissions, widespread use of pesticides, and even deforestation of biodiverse rainforest. Animal feed is therefore an indirect burden on the environment. At the same time, soy production contributes to economic growth in other countries and it is therefore important to find ways to produce soy that protect social welfare, human rights, forest and biodiversity.

Skånemejerier has signed the "Soy Dialogue" and we require responsible soy production on our farms, but it is difficult to enforce the same requirements on farms abroad that produce the animal products we import. So we buy certificates corresponding to the amount of soy connected to these products. We get help from Soy4Brands to do this in a good way. Soy4brands is an organization that works for sustainable development, for instance in Brazil, where most of the soy comes from. The money goes to RTRS certified farms and in 2017 our certificates were linked to two producers in Brazil: Fapcen and Fazenda Cabeceira, which have been recommended by Soy4brands. They are both located in the Maranhão region and are certified by RTRS.

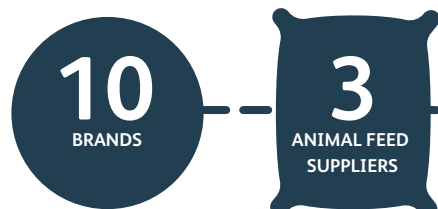
Buying the certificates recommended by Soy4brands ensures that our investment is delivering the best possible results in terms of regional development, which we think is important. Soy4brands doesn't just help us to make strategic investments, but also to get to know the farms the money goes to. They act as intermediaries, ensuring responsible procurement of soy certificates. The Soy Dialogue currently approves the certification system RTRS (Round Table on Responsible Soy), ProTerra, EU Organic and IFOAM. In this way, we help to increase demand for responsibly produced soy, which today represents only one percent of global soy production.



In picture from Fapcen HQ:  
Jorn Shouten (Soy4Brands), Cid Sanches (RTRS  
RTRS Representative in Brasil) and Gisela  
Introvini (Fapcen)

The **Soy Dialogue** is a volunteer initiative where the members contribute to the demand for more responsibly produced soy. The members are feeding companies, stakeholder organisations and other companies. The members take a responsibility for that 100 % of the soy used is responsibly produced. This by using certified soy or by buying certificates from a certified body covering the volumes.

Skånemejerier has invested in RTRS certified soy in the Brazilian regions Maranhão & Piauí together with ten other brands and three animal feed suppliers.



Skånemejerier has bought certificates that support two producers, one of them is certified by FAPCEN.

The purchase supports a number of social- and environmental projects involving thousands of people in these two regions.

Projects such as:

- Improved infrastructure
- Employment
- Culture
- Environmental education
- Technical education
- Citizenship
- Improved communication

8

Societies engaged

32

Social- & environmental projects

8 754

People involved

The increased demand for responsible produced soy has lead to an increasing amount of RTRS certified farms in the regions.



380 000 ton/credit



940 000 ton/credit

● RTRS

● Non RTRS



1 250 000 ton/credit



2 050 000 ton/credit  
(estimate)



## Climate and emissions



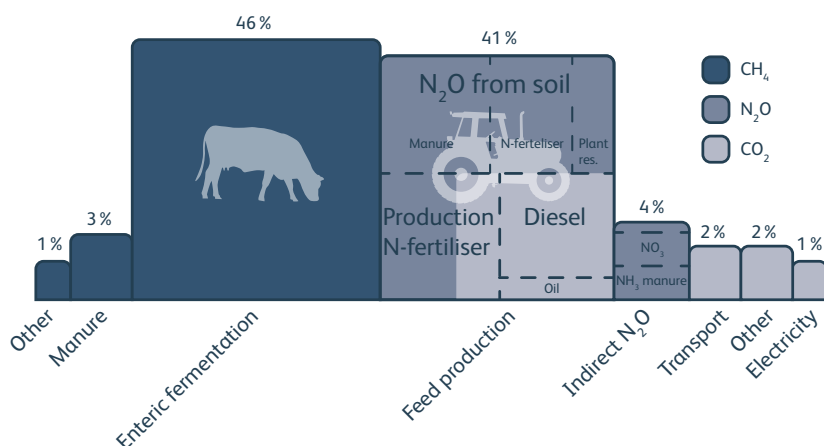
According to the climate goals set by the Swedish government in 2017, by 2045 Sweden should no longer be contributing to the greenhouse effect. The vision is that net greenhouse gas emissions shall be zero. Also in 2017 the Swedish government adopted a national food strategy which acknowledges that total food production will increase, while relevant national environmental goals are to be met, which increases the relevancy and urgency to reduce climate impact.

Swedish milk production generates 44 % lower climate impact than the global average, but we need to make strenuous efforts in this area if we are to achieve the goal of reducing Sweden's net greenhouse gas emissions to zero by 2045.

We feel a great responsibility to improve practices on dairy farms in order to achieve not only a reduction in emissions but also a better understanding of the issue. We do this through regular dialogue and visits to the farms. The biggest environmental impact in the life cycle of milk is the greenhouse gases generated on the farm, which represents around 80 % of the climate impact of milk.

Around half of the climate impact of agriculture as a whole arises from nitrous oxide from the land and from storage of manure. But on animal farms it is methane, from the animals' digestion, storage of manure and production of feed that generates the largest proportion of the emissions.

AMOUNT OF GREENHOUSE GAS FROM DIFFERENT ACTIVITIES AT THE FARM



The average volumes of greenhouse gas emitted at different stages of milk production (from a lifecycle perspective, from field to farm gate) for Swedish milk production 2005, shown in CO<sub>2</sub>-equivalents per unit of milk. Each square represents the proportion of emissions generated. (Henriksson, Maria. Greenhouse gas emissions from Swedish milk production. Diss., Swedish University of Agricultural Sciences, 2014).

As illustrated in Figure above the greenhouse gases generated on farms are methane, nitrous oxide and carbon dioxide. The largest impact is from methane (CH<sub>4</sub>), which gives rise to about the same impact as the carbon dioxide (CO<sub>2</sub>) and nitrous oxide (N<sub>2</sub>O) together.

Skånemejerier has set a goal of increasing the statistical basis available for calculating the industry's climate impact. The goal is to increase the registration corresponding to the registrations in a programme called "Klimatkollen" by 30 % by 2020 and by 2030 all farms should have a comparable CO<sub>2</sub> value as the one required by Klimatkollen.

Klimatkollen is review reduction modules created by an organisation called Greppa Näringen, directed at animal farms. By registering your emissions in their modules you get consulting and support to reduce your emissions. The result from each farm is registered and corrective actions are defined.

While we want to combat climate change by reducing our products' climate footprint, it is important to remember that we live in a society where we now consider many more things to be "necessities" than before. Only a proportion of emissions from human activities come from food even though food is ultimately the most important thing for our survival.

#### Farms in society



Being involved in the society around the farms is important to us. The farms play an important role in maintaining our open landscape. They create jobs in the countryside, nutritious products and they form part of our cultural heritage. How would our country look without farms and animals?



Each spring, our dairy farmers open their farms to the public to spread knowledge about where milk comes from, cows' welfare, farm life and the work that goes into producing every litre of milk. Skånemejerier is represented there and we help coordinate and support the farms in planning these events.

More and more consumers want to know where milk comes from and who produces it, and we would like to establish closer contact between consumers and farms so that people know about the source of the product as well as its cultural and social value. So we are happy to arrange events with our farmers which create relationships between farms and consumers. Even school classes are welcome for study visits to our "Visitors' Farms" and some of our milk suppliers even hold "Open Farm" days.

Thousands of curious people visit the farms each year, including, for example, the popular Spring celebration the "Kosläpp," when the cows are released into the fields after the winter. In 2017 about 44,000 people travelled to seven farms that opened to the public. The theme this year was the importance of bees for diversity and sustainable consumption. At two of the farms a beekeeper was on site to demonstrate bee-keeping and honey production. All the children learnt about the importance of bees for biodiversity and how to help bees by building insect hotels and planting flowers. TetraPak was also represented this year to demonstrate recycling of cardboard packaging. For those who were not able to visit a farm, a Kosläpp was broadcast live on social media.



#### ATTENDANTS AT OUR EVENTS

|                         | 2012   | 2013   | 2014   | 2015   | 2016   | 2017   |
|-------------------------|--------|--------|--------|--------|--------|--------|
| Farm visits             | 4 500  | 8 000  | 3 979  | 5 460  | 6 600  | 8 389  |
| Opening of the pastures | 29 250 | 41 000 | 36 650 | 30 000 | 44 000 | 44 000 |

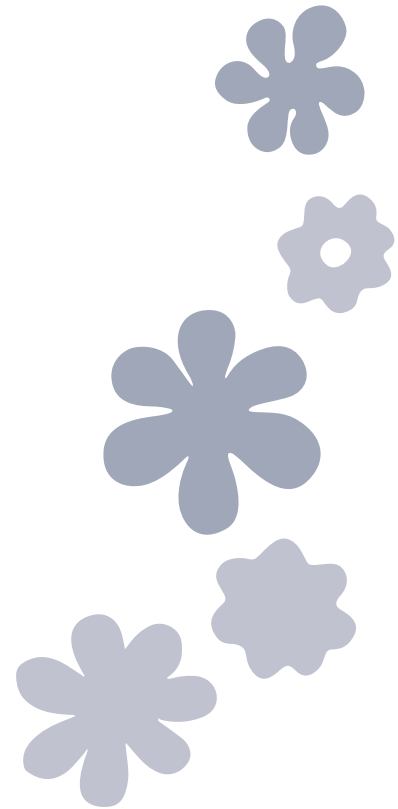
## Research and development



We see a need for further research that can contribute to our understanding of sustainability and sustainable agriculture, especially with regard to risks connected to food security and to economic sustainability. Through collaboration between researchers, farmers and businesses we can together find sustainable solutions to, for instance, reduce the climate impact of agriculture.

Skånemejerier wants to increase the research base and support trials of possible solutions for addressing climate change, and in autumn 2017 we began a cooperation with SLU Alnarp to support sustainable development. New research findings, for example, show that pastures have great potential as carbon sinks and algae can reduce emissions from cows' digestion.

One of the projects we're supporting is based on a research from James Cook University in Australia in which researchers found that algae can reduce the amount of methane created in cows' rumens when mixed in with their feed. Many students are interested in this topic and one of these students is Hanna Silver who is studying horticulture at the Swedish University of Agricultural Sciences.



### INTERVIEW WITH HANNA SILVER FROM THE HORTICULTURE PROGRAMME AT THE SWEDISH UNIVERSITY OF AGRICULTURAL SCIENCES:

**Why did you want to write your thesis on this topic?** When Skånemejerier put forward the project proposal it seemed like a perfect match since I'm passionate about sustainability. I want to work with sustainable development and contribute to green nutrition. The project goes hand-in-hand with the horticulture programme's focus on sustainability and it will be carried out in collaboration with an expert on algae.

**What does a horticulturist do?** We work on plant biology. From the existing knowledge-base we work on various issues related to the production and sale of plant material. During the programme we study everything from business economics, biology and plant breeding. As horticulturists we have unlimited opportunities to promote biodiversity since we can work on the production of new plant materials and for the best cultivation methods, which can increase the diversity of plants and animals.

**Please describe the project and why it's important for you:** The project is about how to reduce greenhouse gas emissions in the life cycle of milk by changing the composition of the feed. It's important to look into how algae can be grown locally. Horticulture can this way be a driving force for changing Swedish agriculture

**What do you want to achieve with your project?** I want to increase understanding of the market and how receptive it is to these innovations – how we can work with micro-organisms to reduce our impact on the climate. Life is so complex and as horticulturists we can use our knowledge of the plant kingdom towards more sustainable use of natural resources. Imagine if the farmer can compensate for the impact of his own activities in the future.

**What are the benefits for the farmers from the project?** The financial issues are important, how the producers can benefit from introducing the new additives to the feed. It may be beneficial for the farmers to produce the algae themselves so that they do not have the extra expense of buying ready-made products. If they are able to produce the algae themselves a closed cycle would be created, and the farmers would gain financially at the same time as reducing their net impact on the climate.



**What does Skånemejerier mean to you?** Local support for agriculture and an important player in the agricultural sector. This is an important position offering opportunities to drive reforms in farming.

**What would you like to work with at Skånemejerier?** Something related to sustainability and the climate impact of plant cultivation within agriculture. Plants are central to milk production. Animal husbandry in general provides balance in the plant and animal kingdoms.









# People

## SKÅNEMEJERIER'S HEADQUARTERS IN MALMÖ

Number of permanent employees: 179

## MALMÖ MEJERI AB

**Products:** Milk, cream, soured milk, yoghurt, quark, crème fraîche etc.

**Production:** 223 900 ton

Number of permanent employees: 308

## KRISTIANSTAD MEJERI AB

**Products:** Hard cheese and cream cheese.

**Production:** 119 000 ton

Number of permanent employees: 89

## KRISTIANSTAD OSTFÖRÄDLING AB

**Products:** Cutting, grating, slicing and packaging of hard cheese.

**Production:** 10 000 ton

Number of permanent employees: 55

## HJORDNÄRA MEJERI AB

**Products:** Milk, cream, soured milk, yoghurt, quark, crème fraîche etc.

**Production:** 12 900 ton

Number of permanent employees: 24



It is crucial for our business that our employees are healthy and that they are happy at work. They are our most important asset and Skånemejerier's best ambassadors. Therefore, it is important that we work together to create the best possible workplaces with regard to well-being, engagement, health and safety.

We also care about our role in society and the people we come into contact with in our business activities. Our employees and these relationships create the organisational culture and help us to live up to our Code of Conduct and to fulfil our policies on working conditions diversity and discrimination.

## A HEALTHY AND THRIVING COMPANY

We choose to focus on the health and well-being of our employees. We want to create a work environment that our employees experience as attractive and stimulating. Skånemejerier will work to ensure that all employees, including hired personnel, do not have to risk illness or ill health caused by their work. It should be fun to go to work! A good physical and social work environment that is well-organised is of great importance if everyone is to enjoy work and experience job satisfaction and therefore achieve good results. It requires management and employees to work together on issues related to working conditions. We believe that a good working environment also benefits the business in terms of higher productivity and creativity.

Management of working conditions and rehabilitation activities at Skånemejerier is coordinated by the HR department, with managers having day-to-day responsibility. We believe that all employees have a share of responsibility for creating and maintaining a healthy working environment, so we encourage continuous dialogue throughout the company on these issues. To help us, we have our occupational healthcare staff, who have specialist knowledge in various areas, and who are engaged in health promotion projects. We offer lunch benefits, healthcare benefits, lectures on stress and other health factors, and ergonomic assessments in all departments. For those working nights or in noisy environments, we have medical and hearing checks as well as training in ergonomics.

### Conscientious managers

First and foremost it is our managers' task to detect and eliminate risks in the workplace as well as to guide and support employees in how they can contribute to a good working environment. The working environment must be actively managed to prevent ill-health, risks, accidents and sickness absence, and this should be part of our daily activity at Skånemejerier.

A trigger to company stress and an identified significant risk in today's society is the expectation on us to always be accessible and to blur boundaries between work and non- work time. This is something that employees have to balance more or less all the time. We also see risks in the physical working environment where many of our employees have contact with chemical substances, use trucks and heavy lifting equipment which is unavoidable. Work in our facilities is also carried out in shifts, and it is important to take responsibility for ensuring that shift work is carried out in the best possible way.

We have made great efforts to ensure that all managers have theoretical knowledge about working environments and these risks.. In 2016 to 2017, 97 % of all managers and supervisors at the facilities and at headquarters took part in a three-day training on working environments, and in addition most managers received in-depth training on organisational and social environments.

## Happy and healthy employees

We conduct employee surveys annually and afterwards all departments go through the results, have workshops and select areas in which they can work on improvements. We aim for employees to feel engaged and to choose to participate in making improvements so as to have a positive influence on their working environment. In 2017 we saw a reduction in participation so we want to encourage more participation in 2018. The goal is to have 95 % participation in the employee survey. Through working on action plans, every employee should see a difference in his or her work. In 2017, action plans were made for 85 % of all departments at Skånemejerier. Our goal going forward is to have 100 % corrective actions conducted in relation to our employee survey.

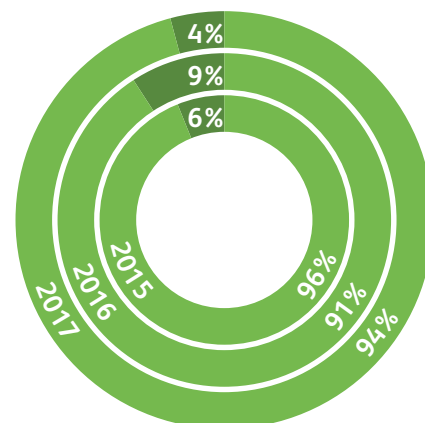
The employee survey is one of many tools for measuring how the organisation is doing, what motivates employees, levels of work satisfaction and loyalty. Our long-term goal is that the results of the action plans should be reflected in, among other things, sickness rates and employee involvement.

We work systematically on management of sick leave, adaptation of work and rehabilitation activities and we will actively to prevent employees from suffering from exclusion at work. Through active follow-up of sickness absence, we can intervene early to prevent ill-health as well as identify employees at risk of longer sickness absence and those needing rehabilitation.

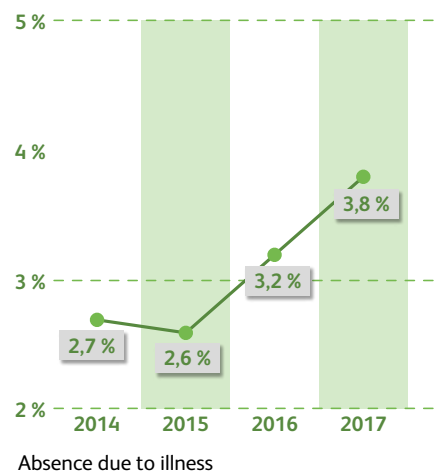
Over the past two years, we have seen some negative developments with regard to sickness absence, especially in our production and storage operations where there are many physically strenuous tasks. In 2018, we will work actively with our occupational health care services to reduce sick leave. We will also work more on promotion and prevention measures to increase health factors rather than addressing illness and risk factors. Among other things, we will start health projects to inspire our employees to adopt healthy lifestyles.

The aim of rehabilitation is to make it possible for employees affected by illness or other physical or mental impairment to return to work. We are a manufacturing company, which entails a risk of workplace accidents. So we need to work actively with education and follow-up. Being sustainable puts a focus on constant improvement and development.

We need to be competitive in a concentrated and challenging sector. However, there is a skills shortage in the dairy processing industry in Sweden. So it's good to be part of a large group with solid experience in dairy. We have contact with various experts and we receive frequent visits from people in other parts of group, during which we exchange experiences.



| Type of employment   | Type of employment |     |     |
|----------------------|--------------------|-----|-----|
|                      | '15                | '16 | '17 |
| Permanent employment | 583                | 616 | 658 |
| Fixed term           | 39                 | 62  | 24  |
| Total                | 622                | 678 | 682 |



## Education

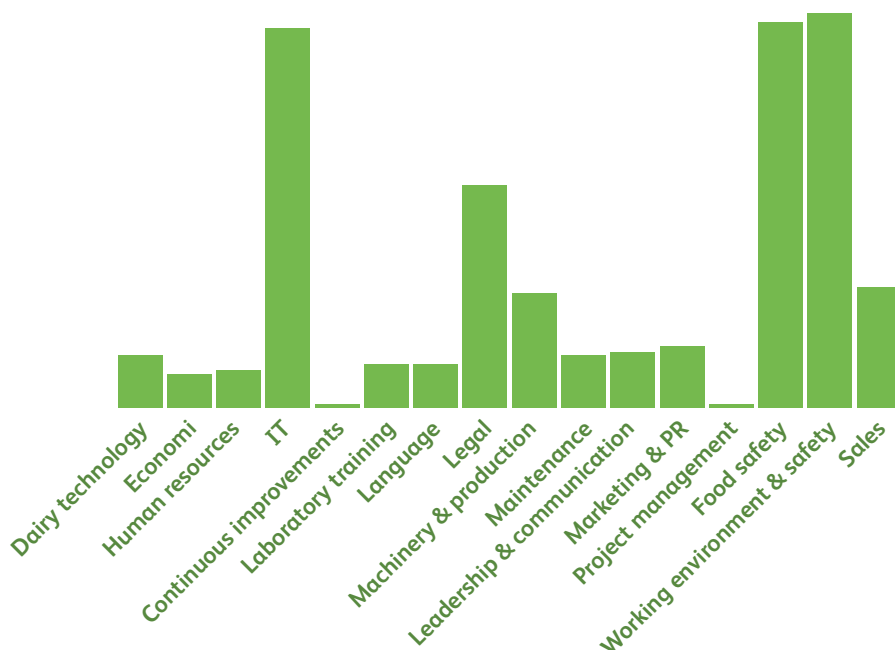
A good supply of talent means that we can attract, recruit, retain and develop our employees, which means we can achieve our business goals. We want all employees to have the skills they need for the tasks they have today and for the tasks they will have in the future. The management team has ultimate responsibility for ensuring that skills development permeates all activities and that procedures in the personnel manual are followed.

By following-up on our goals and discussions with employees, development needs are identified and incorporated into annual training plans for each employee. Skills development should be linked to employees' duties. The aim is to both develop each employee and over time to strengthen the company.

All employees participate annually in a review meeting with their immediate manager. The aim of the meetings is to ensure that all employees have an annual dialogue with their boss about their performance, development, strengths and potential. Evaluation is done in relation to individual and collective goals using a personal development tool. Each employee, together with their immediate manager, sets up a personal development plan based on the company's overall goals and shared values: Ambition, Engagement, Simplicity. The tool also contains job descriptions which describe the skills specific to the current position, the employees' CV, and information about opportunities and interest in working abroad. The system is used globally, throughout the Lactalis group.

All employee development plans are collated annually by HR, which together with the responsible managers, sets the training budgets. Completed training is documented in person and registered in the HR system.

In 2017, there has been a lot of focus on physical safety and food safety to ensure safe working conditions and high levels of quality and product safety.



Completed training 2017

We can see that more men than women has participated in educations during 2017 due to that we have more men in the production than women. On the other hand is the amount of educational hours per person the same for both men and women.



## INDUCTION OF NEW EMPLOYEES

The respective heads of department are responsible for effective induction of new employees, that this is done in accordance with our own induction process and that workplace learning takes place. We ensure that all employees get an introduction and insight into our business, knowledge of our Code of Conduct, our ethical policy, our diversity and equal opportunities policy and other relevant policies. It is also during induction that every employee gets information about we work on sustainability and how their role affects the environment, in line with ISO 14001.

## DIVERSITY AND EQUALITY

We define diversity as the extent of differences that exist among people in our diversity and equality policy is our guide on how we communicate and act towards each other. The policy takes a stand on that all human beings has equal value and all humans shall have the same possibilities to develop in line with their own prerequisites independent of gender, gendercrossing identity ethnic belonging, religion or other beliefs, functional restriction, sexual orientation or age. The policy is communicated to all employees and each new employee shall confirm that they have been introduced to the policy, understood its content and that they intend to follow it. By continuing with the implementation of this policy, we expect to benefit from the differences that enrich the company at all levels. For us, it is obvious that diversity enriches, which can be of benefit to the company and create opportunities for development.

Skånemejerier does not accept discrimination, bullying or harassment of any kind. It is worthwhile to work on preventive measures at an early stage. All forms of victimisation, harassment and discrimination should always be noted and reported to the HR department which, together with the relevant manager, must take immediate action to protect and support the victim. Anyone who considers themselves subject to abuse, harassment or discrimination is advised to turn to their manager or another supervisor. Employees can also contact HR, local Safety Officer or other union representatives. Investigations are done as quickly as possible. Afterwards, a psychosocial incident report is written in consultation with the HR department, with the possibility of receiving services from occupational health. Everything is done promptly and with respect for the integrity of those involved.

### Diversity in the Management Group

In recent years, the ratio of men to women in the Management Group has moved towards an increase in men. However, the Management group include 5 nationalities (Danish, French, Italian, Spanish and Swedish) which in itself represents diversity.

### Ratio of men to women

In the area of production, Skånemejerier consist to a large part of men, which reflect how similar areas of competence are divided between men and women in society as a whole. We would like to improve the possibilities from a work environment perspective, in order to promote a more equally divided ratio between men and women.




|       |       |
|-------|-------|
| MEN   | 66,6% |
| WOMEN | 33,3% |



|       |     |
|-------|-----|
| MEN   | 58% |
| WOMEN | 42% |



|       |     |
|-------|-----|
| MEN   | 96% |
| WOMEN | 4%  |



We see the value in having a workforce which reflects the diversity in society but at the same time it is important to secure the skills of the workforce. All recruitment is therefore based entirely on competence. By strengthening our brand as an employer, we hope to reach out and appeal to different groups in society, thereby strengthening our workforce in the long-term, for example with more women working in processing, with inventory and in leadership positions, as well as more foreign-born employees in qualified position

#### **Diversity project 2018 – The way in**

In cooperation with Malmö City, the Swedish Public Employment Service and the diversity network MINE Skånemejerier will participate during 2018 in the “Way in” project, which opens doors into the labour market for foreign-born Malmö residents. The aim is to increase diversity and inclusion in the workplace and to take advantage of the differences that enrich the company at all levels by reflecting society. Something we look forward to!

***A successful management team understands and acts on the basis that diversity enriches organisations and contributes positively at all levels. Sandhya Nair, HR Partner and responsible for Skånemejerier’s participation in the “Way in” project.***

#### **INTERVIEW WITH GEORGE AZAR, PROCESS OPERATOR:**

**Hi George, do tell me a little about yourself.** I was born in Aleppo in Syria but when the war began I fled here. I came to Sweden from Syria four years and two months ago. I’ve worked at Skånemejerier for one year and three months.

**Your Swedish is excellent if I may say so!** Thanks, I learnt quickly and my colleagues have helped me a lot. I’ve improved my Swedish a lot through working here.

**Please tell me about your work here.** I work in processing with our aseptic processing. Amongst other things, we make cream and crème fraîche, in fact many different sorts of cream! Sometimes we get new products to make. And we produce long-life dairy products. When making these products it’s important that the heat pasteurisation is done correctly. Pasteurisation of ordinary milk is done at 72 degrees for at least 15 seconds but UHT milks are treated at 125–130 degrees for 2–4 seconds. Four seconds is enough!

**What does Skånemejerier mean for you?** I’m so pleased to work here! For me Skånemejerier is number two in my life, after my family! I’m so grateful for Skånemejerier. My colleagues are really nice and they’ve helped me so much. And I help them when they need support.

**If you were to take another position at Skånemejerier, what would you like to work with?** I enjoy my job very much but I would like to learn more about processing. I’d like to be able to do everything!

**How many nationalities do you think are represented at Skånemejerier?**

There are many different nationalities represented at Skånemejerier, and the same in Malmö as a whole. I think there must be at least twenty different nationalities. In Sweden you can also find many parents who were born abroad. It’s a really good thing about Sweden.

**If you could bring something from Syrian culture to Sweden and to Skånemejerier, what would it be?** I would bring the weather and the Syrian food that you can’t find here.

**And if you could introduce something Syrian to the workplace culture?** I’ve noticed that coffee is important to people here in Sweden. In Syria lunch breaks were important, but here there’s a tradition around coffee breaks.



## COLLECTIVE AGREEMENTS

We safeguard all employees and their right to organize in a trade union of their choice. Similarly, we protect employees who choose not to join a union. All employees at Skånemejerier are covered by one of the collective agreements made between the Swedish Food Federation and various trade unions, the Food Workers' Union (LIVS), The Swedish Trade Federation agreement for the food industry with Unionen, Ledarna and the Swedish Association of Graduate Engineers. Each party of collective agreements commits itself to collective bargaining for matters affecting the organization and/or individual employees.

## SAFETY CULTURE

We work to establish a safety culture and we have zero tolerance for accidents.

Safety is set above all and it should always be the highest priority in our daily work. Our safety work is a shared responsibility and safety should be integrated in all our working methods, decisions and projects. This is everyone's concern and it is important that everyone contribute to a safe working place.

We have a Safety Policy from Lactalis and in addition we have a local policy for systematic improvements in working conditions, which describes mapping of risks, setting goals, action plans, distribution of responsibilities, powers and resources, induction, annual follow-up and documentation of routines.

There is a safety committee, made up of safety officers and trade union representatives, which meets each quarter. The committee's agenda includes accidents, corrective actions and other improvements that can be made in the physical working environment.

### Risks in the physical working environment

The accident rate has increased over the past three years which is something we take very seriously. The goal for the accident frequency (LTIFR) was 13,5 in 2017 and the result was 15,4. The most common accidents that have occurred over the past three years have been crushing, fall injuries and collisions with trucks. We have reduced the driving speed of the trucks and will implement safety checks on truck transports. A new format on the riskassessments will also be implemented during 2018 to focus on improving work positions and machines in the production. This way we will prevent and hopefully reduce the number of incidents.


## NUMBER OF INCIDENTS & NEAR- MISSES



### LTIFR: LOST TIME INCIDENT FREQUENCY RATE

Injuries/accidents reported with one day's sickness absence which means that the employee is away from work for at least one day. Even injuries/accidents which do not result in sickness absence, rather the employee continues working, are reported. Near-misses means something that almost happened but nobody was injured.





We record all types of injuries and accidents, including injuries that occur on the way to work. Another contributing factor that the incident frequency is high is that there is no opportunity currently to register a work environment issue (ie an observation of something that could lead to an incident or injury). This is something we intend to resolve in 2018.

We want to increase focus on observing and reporting risks, so as to increase awareness and promote a safety culture. In connection with this we have set a goal of increasing reporting of incidents (near-misses and hazardous observations) by 85 % to 2020. How will we achieve this? More training on working conditions will take place between now and 2020 and a new reporting system will be introduced to increase preventative work. We will communicate widely about this and require increased reporting by all employees, so we take care of each other and strengthen our safety culture.

***We are each other's working environment. We are everybody else's colleagues. Being good co-workers is that to take care of each other and to be brave enough to stand up and report incidents and problems in our environment. OHS Manager, Rickard Villell***

Some people who know everything about safety at Skånemejerier are the Rosén brothers, who you can meet in this exclusive interview.

#### INTERVIEW WITH THE ROSÉN BROTHERS: ROSSE, HENRIK, MATTIAS AND JONAS:

**Four brothers who all work at Skånemejerier. How did that happen?** Our grandfather was a dairy man who worked at Skånemejerier all his life. Then our father began working here and then Rosse was the first of us four to join, in 1991. After that Henrik joined (1996) and then Mattias (1999). Jonas joined last in 2009. Our mother and sister also worked for a while in the kitchen. Skånemejerier has always attracted us Roséns!

**What risks do you face in your day-to-day work?** We work in the cold room, almost always on the same shift. There is the risk of being crushed or slipping, and it can be stressful during busy periods, which leads to injuries, and there have been some crush injuries. There are many trucks driving in the cold room so you have to watch out. Look out! we often say.

Routines are important. We make new colleagues aware of the dangers that we know about from experience. We work in the same groups which means that we know each other well. This is more efficient and routines are established.

We have excellent working relationships in the cold room. By knowing how each other is thinking many risks are reduced. Rosse will get his gold watch this year and he's never had an accident! On the other hand Mattias had a crush injury a few years ago and since then he's been very careful.

**Please describe the working environment at Skånemejerier?** With routines you feel safe at work. Since we're siblings we have an unspoken understanding that safety is important but overall there's a great sense of community in the cold room, everyone takes care of each other. Above all it's the willingness to create a community that permeates the place and it would be wonderful if more opportunities to do this could be created, even across departments and functions. We all work for the same ends and in the cold room people really want to do a good job. If someone points out errors then it's because they want things to be right. The mindset is focused on quality and there is pride in sending out products that are finished and clean.

**What does Skånemejerier stand for?** The little big company. It feels like an extended family that we come to every day. If someone has a problem at home there's always someone to talk to about it at work.

**If you were to swap places with someone at Skånemejerier for a day, who would you want to swap with?** Product development, to create new flavours, or someone who collects milk from the farmers. It would be nice to follow the milk all the way!



## PARTNERSHIPS AND COLLABORATION

At Skånemejerier we're aware that we come into contact with many people and we try to take care of our relationships with various groups, of all ages. It is contact with people that we create engagement, understanding and opportunities to improve ourselves and society around us.

### Kalvinknatet – fun run



Even children as young as two can begin to run the Kalvinknatet together with their parents or siblings. This race, which caters for children from two to ten years, is entirely on the children's terms and has approximately 30,000 participants each year.

The event takes place in May, in approximately twenty places in Skåne, Halland and Blekinge, in partnerships with the Malmö Sports Association and local athletics clubs. It generates about 1 million kronor for the clubs' children's and youth activities. With this initiative, we want to promote healthy diet and lifestyle. The purpose is to help children to exercise in a playful way and find the joy of physical activity. Given that it is a family party, we reach perhaps up to 90,000 people with the message of the importance of exercise.

### The Carton Challenge



Together with TetraPak and in cooperation with the Världsnaturfonden WWF, we are engaged in the Carton Challenge project, which aims to increase recycling of food packaging.

Pre-schools and schools across the country have been inspired by playful information and creative competitions to increase the collection rate of drinks cartons. Calvin was an obvious ambassador.

### White Guide Green



In line with our goal of promoting sustainable consumption and reducing waste, Skånemejerier has been engaged in a new project - White Guide Green - since autumn 2017. The aim of White Guide Green is to map food stores from a sustainability perspective. Over 350 stores throughout Sweden are being visited and judged in accordance with criteria that have been defined by Världsnaturfonden WWF, White Public and Bergkvist Publishing. The results will be published in a guide that identifies Sweden's most sustainable food stores. Environmental organisations such as KRAV, Svanen, the Swedish Society for Nature Conservation, the Marine Stewardship Council and FairTrade Sweden contributed to the criteria and the project has been introduced to the largest supermarket chains in Sweden: ICA, Coop, Axfood, Bergendahls and Lidl, as well as to the media, government agencies, influencers, opinion makers and the public.

Through this initiative, Skånemejerier has the opportunity to award a prize to a store within a category we have chosen. We will promote supermarkets that do a good job in reducing waste and food waste and in 2018 we will highlight this initiative in the new gastronomic sustainability magazine Magasin GRÖN (the Green Magazine).

Studies show that there is significant waste in various parts of the food chain and we want to learn more about how this can be prevented, in cooperation with our customers, the stores. Through White Guide Green we will find about many examples of good practice and we can support those who do a good job.



Overall winner of the Carton Challenge and winners in the pre-school class: Simförskolan Sally i Kristianstad.

Also in the photograph are Erik Lindroth, Environment Director Tetra Pak, Helena Lindh Environment Executive Tetra Pak, the WWF Panda, Anna Frey-Wulff, Sustainability Manager Skånemejerier and Calvin!





Swedish Junior Chef National Team

## Foodservice and collaborations



Skånemejerier Foodservice is the part of our business that is aimed at professional users of our products, ranging from restaurants, cafes and hotels to schools, hospitals and retirement homes. With the professional kitchen's requirements and needs always in view, Skånemejerier Storhushåll develops its product range in collaboration with skilled cooks, catering managers and purchasers. This includes also a continuous focus on sustainable consumption and improved diet. Examples of this are their nutrition recipes adjusted to the size of the packaging.

In 2016-2017, the Swedish Junior Culinary team worked on "Swedish Tapas", a concept that incorporates near-produced and organic raw materials, as well as smaller and healthier portion sizes. Among the ingredients that the team works with are cream and soured products from Skånemejerier's organic assortment, as well as several of our mature cheeses.

## Kost & Näring – the branch organisation for catering managers



Kost & Näring is the branch organisation for Sweden's catering managers – a professional group responsible for the millions of meals served in public institutions around the country, ranging from pre-schools to retirement homes. Kost & Näring works under the slogan "For Sweden's most important meals" and the organisation runs several initiatives aimed at improving the country's large-scale and public catering.

Skånemejerier Storhushåll is a gold partner of Kost & Näring, which gives us a valuable communication channel to our public sector customers. Through Kost & Näring, we can meet the country's catering managers regularly and have a close dialogue with them about improving public catering and how we can develop and optimise our work in these contexts. We are exhibit at the organisation's annual conference Kostdagarna (Food Days), and we contribute to the magazine Magasin Måltid which is published six times a year.

## Snacks in elderly care and pre-schools



Children and the elderly need extra support and care, but they also have something else in common: for both groups it is important to eat nutritious snacks every day..

Children need energy to grow and develop and to be active throughout the day. Older people often have limited appetite and, to get enough nutrition, small, energy-boosting snacks are needed throughout the day.

Together with the specialist nurse Anne Hallbäck, we have developed a concept based on simple and nutritious snack recipes with protein-rich dairy foods like quark, yoghurt and hard cheese as ingredients. The package is tailored to elderly care and pre-school and it comes with training material that shows how our offer corresponds to the latest advice for nutrition for the elderly from the National Food Administration.

As part of our focus on elderly care and pre-schools, we sponsor the initiatives White Guide Junior and White Guide Senior, aiming to "raise the quality of public gastronomy by highlighting and promoting good examples from catering for the elderly and schools." Skånemejerier presents the competition category "Senior Cook of the Year" and in 2017 the prize was awarded to Ingela Brännehed from Tubberödshus retirement home in Tjörn.



Ingela Brännehed from Tubberödshus retirement home on Tjörn.





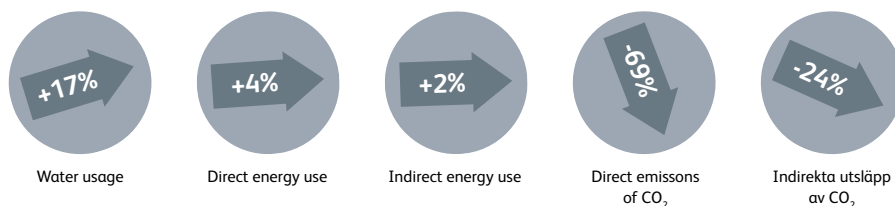


# Production



Skånemejerier works actively and continuously to improve and streamline production with concern for both the environment and our employees. Our products need to be economically sustainable, responsibly produced and adapted to human needs. By adding value at every stage of the production chain, we create long-lasting value. We collaborate with suppliers and encourage commitment to sustainability issues among our employees.

Processing in dairies is resource-intensive so it is especially important to have the right energy source, to optimise energy use and water consumption, and to reduce waste.



Siffrorna ovan anger procentuell utveckling jämfört med 2016

| MMAB*  |                                    |                              |                                | Diesel   |  |
|--------|------------------------------------|------------------------------|--------------------------------|--|--|
| KMAB*  |                                    | Natural gas                  | Electricity                    | Bio gas  | District heating                                 |
| KOFAB* |                                    | Oil                          | District heating               | Oil  | Electricity                                      |
| HMAB*  |                                    | Bio gas                      |                                | Bio gas  | Transports                                       |
| År     | Water usage (m <sup>3</sup> /year) | Direct energy use (MWh/year) | Indirect energy use (MWh/year) | Direct emissions of CO <sub>2</sub> (ton/year) | Indirect emissions of CO <sub>2</sub> (ton/year) |
| 2014   | 768 860                            | 23 760                       | 57 580                         | 4 570  | 10 450   |
| 2015   | 793 500                            | 26 990                       | 61 230                         | 5 260  | 9 890  |
| 2016   | 967 940                            | 38 080                       | 66 870                         | 6 490  | 5 030  |
| 2017   | 1 132 650                          | 39 680                       | 68 050                         | 2 010  | 3 820  |

\* MMAB = Malmö Mejeri AB, KMAB = Kristianstad Mejeri AB, KOFAB = Kristianstad Ostförfärdling AB, HMAB = Hjordnära Mejeri AB.

Direct energy use= natural gas, oil, bio gas

Indirect energyusage= electricity, district heating

Direct emissions of CO<sub>2</sub>= natural gas, oil, biogas

Indirect emissions of CO<sub>2</sub> = district heating, electricity, transport

Water use has increased in the last year, as has energy consumption (both direct and indirect). This is because of changes in processing, which require more fresh water, heat treatment of milk and water for cleaning. Our goal is to reduce usage without compromising hygiene. Direct emissions of carbon dioxide have decreased by 69 percent, mostly because the Malmö dairy switched from natural gas to biogas. Indirect emissions have decreased by a third, partly because of switching from fossil-fuels to HVO.

## Energy and the climate

Our journey towards 100 % renewable energy in production continues. The goal is to produce all our products using only renewable energy in the near future.

By 2017, the proportion of renewable energy used at our four production sites was 92 %. A major change took place in March 2017 in Malmö when the dairy converted to biogas with the aid of the “Green gas principle.”\* This is expected to result in an annual reduction in emissions of about 7 000 tonnes of CO<sub>2</sub>.

The goal of reducing relative CO<sub>2</sub> emissions from production by 50 % by 2020 has therefore been reached already and we have set a new long-term goal of replacing 95 % of our fossil fuel use by 2020.

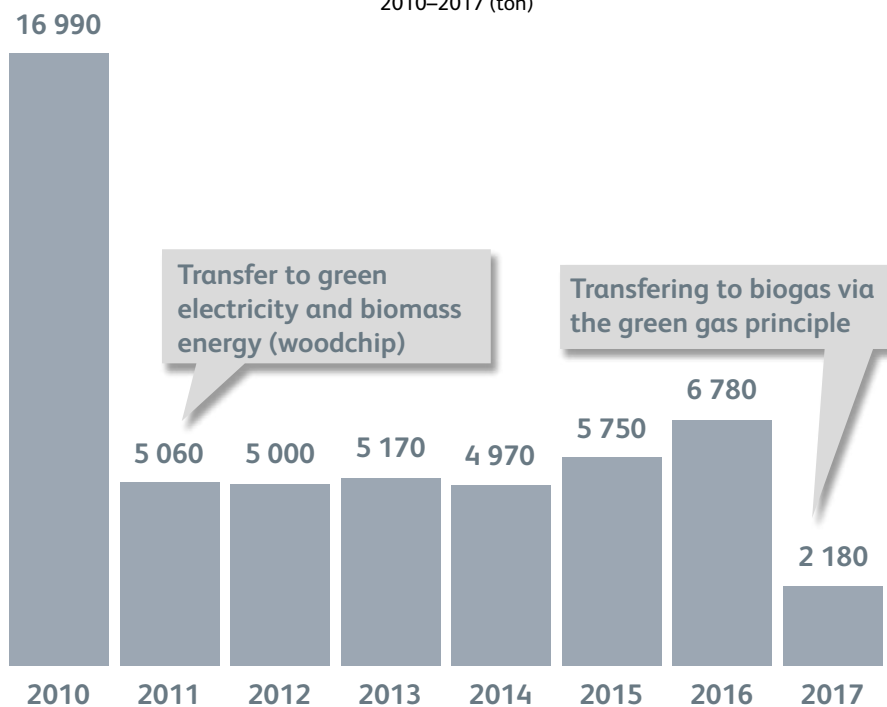
***“Renewable energy is the only sustainable energy” Stig Olesen,  
Industrial Director***

### THE GREEN GAS PRINCIPLE

This means that biogas fed into the grid in one place can be used by another user attached to grid. The transfer is virtual and the purchase of biogas by each user is governed by purchase agreements. Buying biogas via the Green Gas Principle works in the same way as buying renewable electricity from the shared grid.

## CO<sub>2</sub> EMISSIONS FROM PRODUCTION

2010–2017 (ton)



# OUR CLIMATE HISTORY

1995

The first CNG (compressed natural gas) trucks start to run from the dairy. Every truck means a reduction of approximately 30 ton CO<sub>2</sub>/year compared with diesel. 15 years later we had reduced our CO<sub>2</sub> emissions with almost 25 % compared with all trucks in south of Sweden that was driven on diesel.

2009

A new fuel station for CNG is built at the Malmö dairy. All distribution trucks can thereby refill with more environmental friendly fuel. During 2010 and 2015 all gas driven trucks in our distribution network reduced their emissions with approximately 2000 ton CO<sub>2</sub> compared with the diesel trucks.

2010

Kristianstad Dairy AB replaces oil with woodchips and reduce its climate footprint drastically. The reduction of oil and the transformation to green electricity results in a cheese produced with 90 percent lower climate footprint than 5 years earlier.

2011

Skånemejerier use electricity from hydropower at all production units and reduce the climate footprint even further. Between 2010 and 2017 the CO<sub>2</sub> emissions from production was reduced with approximately 15 000 ton.

2012

The dairy in Hjo installs a hydronic boiler fuelled with biogas from close by manure based farm facility. The biogas facility also get sludge from the dairy sewage plant and scrapped products.

2015

All company vehicles exchanged to more environmentally friendly model reducing the carbon footprint with additionally 2 700 ton per year.

2016

Skånemejerier offer all suppliers to fuel up HVO at a station at the Malmö dairy. Theoretical calculations show that this resulted in a 50 % reduction of relative discharge, compared with 2010.

2017

The dairy in Malmö transfer to biogas facilitated by the "Greengas principle".



## Energy efficiency

The goal is to produce more using fewer resources and we are working constantly on both small and large measures to achieve this.

The relative energy consumption at the Malmö dairy has increased by 24.7 % since 2016. This is the result of an increase in the production of more refined products, which require more energy than ordinary drinking milk. More processing steps generate higher energy consumption. Because there has also been a major expansion - including new storage and packaging facilities, packaging machines, CIP system, cooling tunnel and other processing equipment - the energy efficiency goal is our biggest challenge.

A new target was set 2015 to reduce energy use with 3 percent per year until 2020 compared with 2014.

After rebuilding our production unit in Malmö we have realized that the goal for the Malmö dairy was not reasonable as the products now being produced in the dairy require more energy per produced kilo product. In other words, the ESL milk (extended shelf life), quark and lactose free milk is more water and energy consuming than regular milk. As an example, you do not need to heat and cool fresh milk as much as ESL milk. In the same time we know that the cooling process that we have today is double as effective compared with previously since we have invested in the latest cooling technology. Additionally there has been a reduction in transport after the production moved from Europe to Sweden, which has a positive environmental effect now when the same products are being produced in Sweden instead, based on Swedish milk. Seen in this perspective it is concluded that the internalization has had a positive environmental impact and that the development to produce more with less resources thereby remains.

To achieve energy savings, we have launched both larger and smaller projects, ranging from installing meters for better energy monitoring to new modern CIP systems. This has resulted in an improvement of 0.3 % in energy efficiency at Hjordnära and 0.9 % at Kristianstad dairy. As this is still not in line with our goal, the goal will be revised by the end of 2018.

### ENERGY EFFICIENCY

| RESULT 2016-17     |                                 |                                 |                              |                          |
|--------------------|---------------------------------|---------------------------------|------------------------------|--------------------------|
| Plant              | kWh/weighted raw product (2016) | kWh/weighted raw product (2017) | Skillnad kWh/ton 2017 cf '16 | Skillnad i % 2017 cf '16 |
| Malmö Dairy        | 218                             | 239                             | 21                           | 10 %                     |
| Kristianstad Dairy | 221                             | 217                             | -4                           | -2 %                     |
| Hjordnära Dairy    | 341                             | 341                             | 0                            | 0 %                      |

## Transport and fuel

The major challenge for achieving Sweden's climate targets is to make a faster transition to non-fossil fuels. The national goal is for the transport fleet to no longer be dependent on fossil fuels by 2030.

Since we achieved our transport target for 2020 in 2016, we have now updated that target so that we will reduce our CO<sub>2</sub> emissions by 70 % by 2025.

### BOD7 AND COD

The significant risk of emissions from production is emissions to water. These are measured in terms of BOD (Biological Oxygen Demand) and COD (Chemical Oxygen Demand). The organic components in milk can cause disruption in water treatment plants if the levels of emissions exceed a certain level.

According to our car policy, all company cars must be environmentally-friendly and our transportation of dairy raw materials and products must be carried out in a manner that minimizes the impact on the environment, human beings and nature. To reduce impacts, emissions from Skånemejerier's transports must be as low as technically and economically possible. Vehicles using fossil free fuels are prioritised and all vehicles must be used in a way that minimises fuel consumption.

At the start of 2016, some of our transporters at Malmö dairy began to use HVO, one of the 100 % renewable diesel fuels. This led to a 58 % reduction in CO<sub>2</sub> emissions from our transportation in 2016 and for 2017 we achieved a 69 % reduction of CO<sub>2</sub> emissions when compared to 2010.

In Sweden, HVO has emerged as a key fuel for the development of a fossil-free fleet. HVO is a synthetic diesel produced by the hydrogenation of plant and animal fats - a completely renewable fuel that is identical to fossil diesel in use and generates almost 90 % lower CO<sub>2</sub> emissions compared to "regular" diesel. The HVO used for the Malmö dairy transports is free from palm oil.

However, HVO becoming a popular alternative to regular diesel also creates a risk of shortages. With this in mind, we have set a target of 70 % HVO use even though we have already reached 69 %. By 2020, we aim for a fossil-free fleet of vehicles and we will be maintaining close cooperation with our suppliers to ensure the availability of HVO.

We also work continuously with planning and optimization of transport routes, the location of terminals and avoiding driving vehicles empty.

## WATER USE



During 2015 and 2016, there was a major expansion of the Malmö dairy to increase production of Swedish milk products in Sweden, quark in particular. This resulted in an environmental gain since imports of dairy products from Europe have fallen. However, producing more products has environmental impacts, primarily increased use of water and energy, as seen in our statistics.

Water consumption does not always rise or fall in line with production. Sometimes water consumption may decrease as production increases, depending on the volumes of product ranges that are manufactured. Manufacturing many small production series tends to result in higher water per product, in contrast to manufacturing a few large production series. After each change in the product range everything has to be discarded, which affects both water and energy consumption. Quark is a product that requires more water per tonne produced than regular milk. It has a high viscosity, which means that more water is used to clean the tanks and other equipment, since it sticks more.

To avoid increased emissions of organic substances (BOD7 and COD) in the wastewater with expansion of the dairy in Malmö, a water treatment plant will be installed in 2018. The goal for 2020 is to reduce COD emissions in the wastewater by 40 % compared with 2017, in Malmö, Kristianstad and Hjördnära.

In parallel, we are working to optimise the new production lines that have been introduced in recent years. We review all process steps and, for example, adjust the rinse times for washing, while maintaining the same level of hygiene as before. The optimisation that took place in 2017 in Malmö resulted in an annual saving of 24,000 m<sup>3</sup> of water and there is more to do. A survey of all flows is currently under way to get a complete picture of all processes in order to plan future optimisation.

In the dairy in Kristianstad the level of COD in wastewater has been reduced by 30 % since 2015, which is in part due to a decrease in waste in production.

## REDUCING WASTE



Skånemejerier is working to reduce waste in line with SDG 12. Linked to this goal, there is a sub-goal of significantly reducing the amount of waste by 2030 through measures to prevent, reduce, reuse and recycle waste. We work for waste prevention throughout the entire production chain – from initial processes to the finished products in the stores.

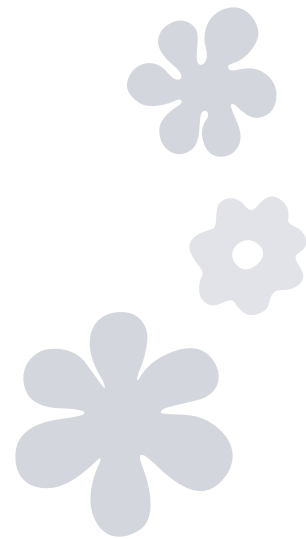
### REDUCING WASTE IN PROCESSING

It is important to consider the entire production chain in the planning when waste is to be reduced since waste occurs at several different locations in production, both in liquid and solid form. We minimise wastage during milk production, for example, by means of mechanical remodelling, optimisation of functions and by planning production in the best way possible. Malmö dairy has managed to reduce its waste by about 150,000 litres of milk per year since 2013, which corresponds to about twelve full trucks of milk per year.

***While we do not want to damage the environment, we do not want to lose valuable commodities. The constituents of milk are water, fat, protein and carbohydrates - all important nutrients and resources that we take care of. Jan-Olof Ödal, Production Manager***

The table below describes the processing steps where waste occurs and how we work to reduce the losses.

| Processing stage                              | Waste   | Improvement  |
|---|---|--|
| Raw and treated transition milk after rinsing | Transition milk is a mixture of milk and water. It is the residual product arising at the end of production cycles and from rinsing.  | <ul style="list-style-type: none"> <li>• Unfermented transition milk is converted into soured milk or yoghurt.</li> <li>• Turbidity sensors are used to determine whether the mixing phase is producing good quality product.</li> <li>• Mechanical remodelling eg narrower pipes and shorter tubes.</li> </ul>  |
| Effluents                                     | Waste fluids include products that spilt onto the floor and transition milk in which the milk concentration is too low.   | <ul style="list-style-type: none"> <li>• Continuous monitoring of the equipment to map losses, followed by action plans to minimise the losses.</li> </ul>   |
| Crushing (Malmö)                              | Crushing is used to empty cartons of milk, other dairy products, and juices, mainly in respect of products that are returned by customers. This may be milk which has too short dates for the stores to be able to sell it, or because of errors in orders or deliveries. Also milk from the dairy and from other dairies in the group which for various reasons must be crushed. | <ul style="list-style-type: none"> <li>• The planning team monitors and maps losses continually. The improvement plans are made to reduce the losses.</li> <li>• We follow up quality at best-before dates so as to reduce returns.</li> </ul>   |
| Whey  | Whey is a by-product of the manufacture of cheese and quark.  | <ul style="list-style-type: none"> <li>• At the Malmö dairy whey is used as feed, but it could also be filtered and used as whey protein powder.</li> <li>• This is already done with the whey from cheese-making in Kristianstad, where concentrated whey is turned into whey powder.</li> <li>• It is also used to boost the protein content in a variety of products around the world.</li> </ul> |
| Skimmed milk powder (fat-free milk)           | Surplus skimmed milk is transported from Malmö to Kristianstad where it is evaporated and exported as concentrate.  | <ul style="list-style-type: none"> <li>• Removing much of the water in the product saves 75 % of the transport</li> <li>• Skimmed milk powder has a longer life so it can be sold globally.</li> </ul>   |







We work with mass balance, which is a tool for finding waste. This is a requirement from our owners in France and means that there should be full transparency with regard to the flow of fats and proteins. We have a key performance indicator to track amounts of waste from processing in Malmö and Kristianstad, which is measured in kg COD per ton of cheese. We can measure both emissions to water and our waste using the COD content of our wastewater. We regard waste as a double expense - both in lost raw materials and the cost of remedial measures for cleaning up. As a result we now realise the value of by-products and residues and we pay a lot of attention to them.

We have done well in reducing COD. In recent years, we have reduced COD levels by 20 % in the Kristianstad dairy by carefully rinsing the units and increasing operational reliability. We have set a goal to achieve a 40 % of COD by 2020 compared with 2015. For Malmö dairy, our goal is to reduce COD by 40 % by 2020 compared with 2017.

Meet Thomas, who knows everything about reducing waste in the processing:

#### INTERVIEW WITH THOMAS SKOUG, MASS BALANCE AND PROCESS OPTIMISATION:

**What is your role and how long have you worked for Skånemejerier?** I came to Skånemejerier 26 years ago and I work currently to improve processes and therefore to reduce waste.

**Please describe the risks in cheese processing, from a sustainability perspective.** From an environmental point of view, a lot of water, steam, chemicals (for washing equipment) and electricity are used in production. For instance we have several membrane filters which use a lot of electricity.

There are also risks for leakage which means that product can end up in the drains. This increases COD levels which can lead to problems for the waste treatment plant, but in Kristianstad the levels are a long way under the limits.

**How do you address these risks?** The product is fluid and we have to be careful that it doesn't slip away from us in the milk and whey treatment processes. Historically, people didn't value whey as we do today. Today we are paid almost as much for the protein in the whey as we are for the protein in the cheese.

Water use is connected to the amount of sewage, which means that the water we use in processing ends up in the drains. One of the first things we need to do is to take measurements so as to find out where in the process the most water is used, and then make changes, for instance optimisation of the CIP (Cleaning in place). We try to use as little water as possible at every stage, and we have been able to reduce water used by about 20 % from 2015 to 2017.

As I said, we have energy-intensive processes and we focus a lot on energy use. We need heat to warm the curd, but also the milk and whey treatment require a lot of heat, as well as the cleaning of all equipment. A lot of energy is needed to heat up a 200 000 litre tank to the temperature needed to clean it. The steam comes from the Kristianstad district heating plant, which burns wood chips, which feels good since we use so much energy. We have no choice but to use this heat because of sterilising effect.

Optimising the CIP system reduces the use of chemicals. We monitor the whole time to ensure our cleaning solutions aren't too strong, and we use as weak cleaning solutions as possible. The membrane filtration helps to reduce transport since the whey becomes more concentrated and we transport less water. The COD level is measured continually and if we go over our limits then an alarm goes off which attracts the attention of the people working on leakage. 95 % of our leakage is from rinsing, which we are working to reduce. One thing that's good about making cheese is that a lot of the transition milk which results from rinsing can be concentrated and used again.



**What does Skånemejerier mean to you?** The dairy industry represents the local economy, the local produce is good for the local economy. A really good workplace with many nice people, where the rules are followed to the letter. For example, at our morning meeting every day safety is top of the agenda.

**If you were to swap position with someone for day, who would it be?** I can't say since I have the best job!

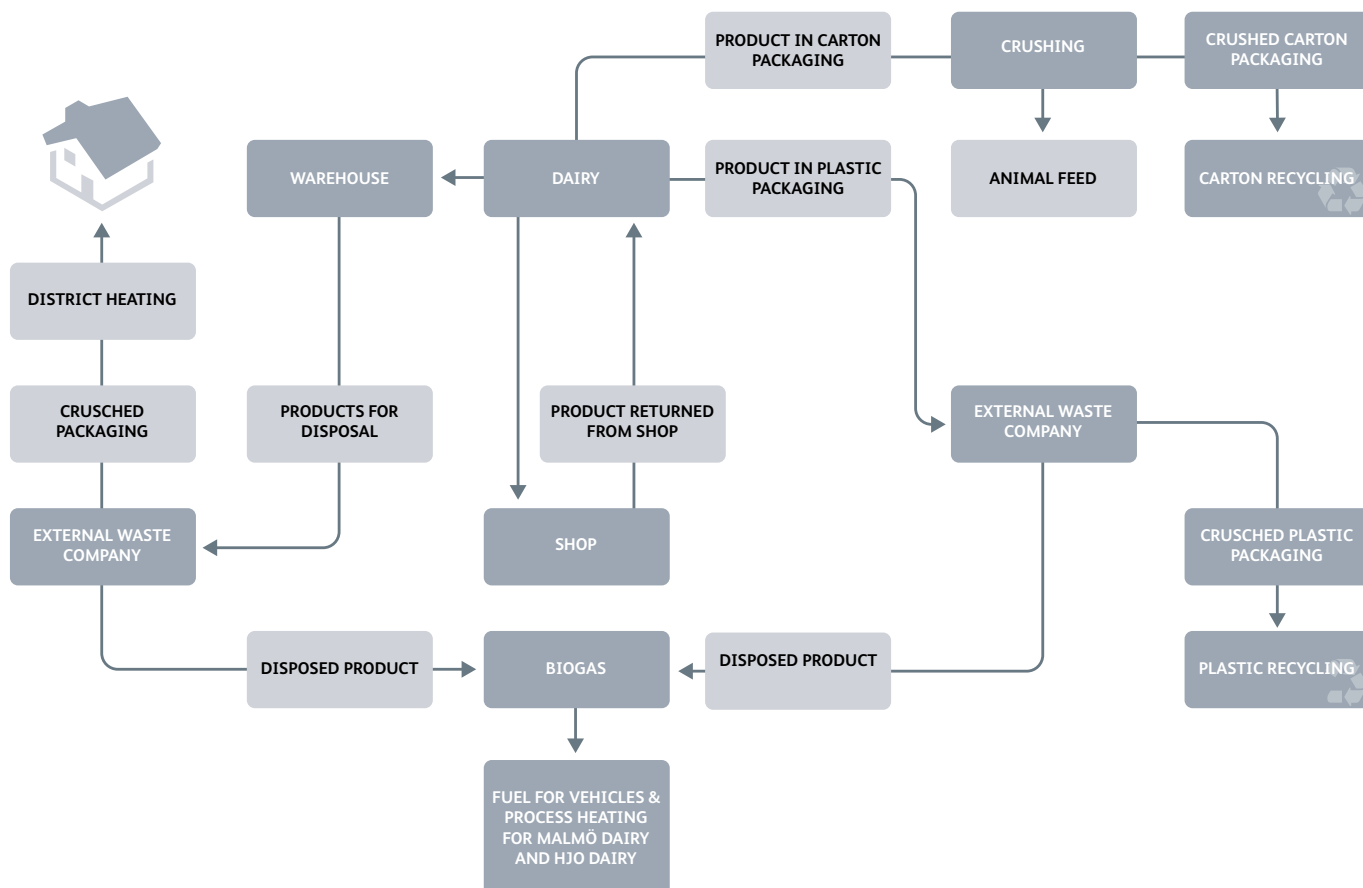
## Waste from production

Skånmejerier works in accordance with the EU's hierarchy of waste. We try to prevent waste from being created and we reuse and recycle the waste that is generated. When waste material cannot be recycled, we ensure that the energy in the waste is extracted through incineration.

### EU WASTE HEIRARCHY

|                          |          |   |
|--------------------------|----------|---|
| <b>PREVENT</b>           | <b>1</b> | Via different steering methods the amount of waste shall be minimized |
| <b>REUSE</b>             | <b>2</b> | All waste shall to the extent possible be reused                      |
| <b>RECYCLE MATERIALS</b> | <b>3</b> | When raw material can be recycled great resources are saved           |
| <b>EXTRACT ENERGY</b>    | <b>4</b> | Waste that can be incinerated is an energy resource                   |
| <b>LANDFILL</b>          | <b>5</b> | The last option is deposit in landfill.                               |

Most of the waste is classified as by-products. These products are handled in different ways, as illustrated in the image below.

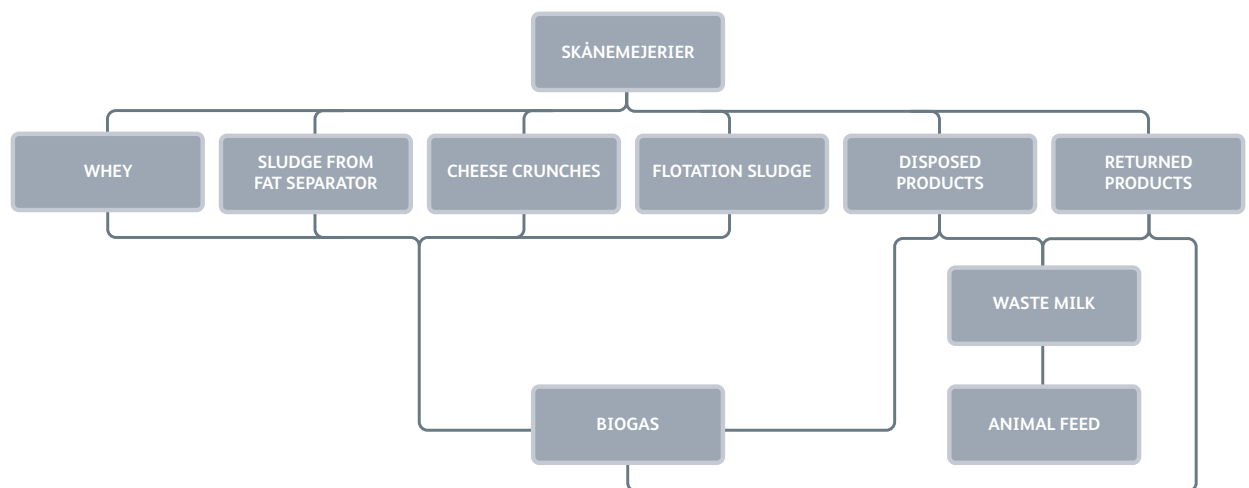


Most of the waste goes to make animal feed - the packaging is crushed in the dairy press then the contents are blended with transition milk, a mixture of milk and water that occurs when the pipes in the dairy are rinsed clean. Some materials go to produce biogas: products in plastic packaging (handled by an external waste contractor) and cheese crumbs that occur when hard cheese is cut into pieces and grated. Residues from various fat separators also goes to biogas where it provides both a high gas yield and a high methane content.

Some packaged products, in both plastic and cardboard, go directly to another waste disposal company where they are crushed. The contents go to make biogas and the crushed packaging is sent for incineration with energy recovery.

Two of Skånemejerier's plants are powered partly or entirely by biogas. Malmö Dairy went over to 100 % biogas in March 2017. The gas supplier guarantees that all the gas used, about 35 GWh per year, is produced from renewable sources. Hjordnåra is partly powered by biogas. The gas is produced from manure from nearby dairy farms, discarded products and sludge from the dairy's water treatment plant.

The entire flow of biological residues from Skånemejerier and from stores is shown below, going either to biogas or to animal feed.



### Waste from finished products

We follow up on discarded products that never reach the stores such as products that have expired and are therefore discarded. We also follow up products with short dates sold at discounted prices. We have key performance indicators for these and we follow up the reasons for items returning for crushing so as to prevent waste.

In 2017 we centralized our planning department so as to standardize working methods and tools. This has given us a better overview and the possibility to make improvements through close cooperation between different parts of the business: forecasting, supply planning and scheduling of production. Comparing discarded volume for January 2017 with that for January 2018, there has been a marked improvement (93 %). In other words, in January 2018 we discarded almost one tenth of the volume that we discarded in January of the year before.

***It is important that we continue on this road and at the same time that we enjoy our work, which I think is another reason for our success. Christian Wretman, Planning Manager***



A large proportion of the product waste is classified as residual product and consists of returned unsold products from stores. We want all our packaging materials to be recycled and we work to achieve this in our operations and in cooperation with our customers. Skånemejerier is part of FTI (the industry association for recycling of packaging and newspaper), which means that we take responsibility for collecting and recycling our packaging, in order to create an environmentally sustainable society for the future.

### Internal waste management

A challenge with waste management is to get all employees to sort the waste correctly. Wrongly sorted waste costs both time and resources. Therefore we place an emphasis on clear information and simplicity. By simplicity we mean that employees should know how the waste should be sorted and that they should not have to look far for the right containers in which to throw it. Waste stations should be situated close to where the waste occurs.

We are working to minimize the disposal of waste for incineration so as to increase recycling of plastics and cardboard and aim to reduce the amount of incinerated waste by 50 % by 2020 as compared with 2014. If we see the amount of waste material left for incineration then we know that sorting has improved.

Ten times more waste is handled at the Malmö dairy than by Kristianstad, and the proportion of incinerated waste in Malmö has fallen from 67 % in 2014 to 37 % in 2017. This is because we now sort more waste and also recycle the cartons after crushing, which were previously sent for energy recovery. By recycling packaging we save the cost of sending it to energy recovery and we get paid for it, since the paper in the cartons is of prime quality and can be recycled up to seven times.

At the Kristianstad cheese processing plant, where the cheeses are sliced, cut into pieces and packed, new procedures for laminate plastic collection were put in place last year. This soft plastic has traces of wax and cheese, which means it must be washed before it is recycled. Approximately fifteen tonnes of plastic are collected annually, rather than being sent for energy recovery. In 2017 we collected more soft plastic in Kristianstad than previously went for energy recovery. Almost 10 tonnes a year are now being used for material recovery and this is facilitated by new balers that help minimize the number of transports. Despite this we have only reduced waste to incineration by 5 % since 2014. More focus on improving internal sorting routines should result in increased recycling of plastic waste and reduce the volumes of unsorted waste going to incineration in future.

### Waste prevention through development of packaging

We want to offer the best packaging from an environmental and climate perspective, which also includes high levels of food safety and user-friendliness. So we work with our suppliers to find the best possible solutions.


During 2017 there was a focus on expansion and restructuring in Skånemejerier and as a consequence there were no developments on the packaging side. We will focus again on packaging in 2018, to achieve our goal of 100 % renewable packaging by 2030.

Our environmental policy and our packaging policy set the basis for our decisions which focus on constantly reducing our environmental impact through wise choices of materials and packaging forms.

### PACKAGING

Our packaging is 100 % recyclable, with information on how to recycle on every package. The fibers in an ordinary milk carton can be reused up to 7 times. This is good for the environment as more energy is used when making new paper compared to recycling.





Previous improvements in packaging were made gradually, with a focus on developing the brand Skånemejerier. These developments included Pure Pak Sense which, in addition to being easier to fold and less wasteful, also occupies less space in recycling bins. Carton tops made from renewable raw materials are on our organic milk from Hjordnåra and BRAVO 2 litre juice packages. Two years ago we launched a carton that replaced the plastic bottle for our drinking yoghurt. This solution has five times lower climate impact. The carton is an important development in the case of “to go” products which are more likely to be discarded on the street or in nature. We have also reduced the weight on our quark 500 gr cup which shall reduce CO2 impact and we only use FSC raw material for the board in paper packaging.

## **SAFETY, HEALTH AND QUALITY, FROM FARM TO STORE**

When making our products, food safety is always our top priority. We should always ensure that our products are safe to eat. To this end, we work with HACCP, which is a method of risk analysis specially designed for food management. This has been a legal requirement for many years. HACCP builds on our understanding of the risks in our production processes so we reduce risks at all stages.

In the HACCP method risks are divided into three categories:

- microbiological risks that, for instance, may cause food poisoning
- chemical hazards such as drugs or cleaning fluids
- physical hazards such as glass and metal

The traceability of our food is becoming increasingly important. So we are pleased to offer our customers the opportunity to find out which farms have provided the milk in their cartons. By looking up the date code printed on the packaging on the Skånemejerier website, the customer can read more about the farms that have produced the milk and get to know the farmers and their families.

All complaints received from consumers are recorded and followed up on so we can better meet their expectations of our products. We investigate every claim and have developed a systematic approach over the years that helps us to find out why things go wrong and to prevent mistakes being repeated.

In 2017 the number of complaints decreased by 13 % and a new target for 2018 has been set at a maximum of 7 complaints per million items sold. Skånemejerier recalled one product in 2017. A whipped cream product which had been contaminated with cleaning solution had to be recalled. All relevant dealers were contacted in accordance with our routines and a press release went out to the public warning them not to buy the cream. In total, 700 packages of the cream were affected and measures were taken to eliminate the risk of this happening again.

# Monitoring- from farm to Customer



**Farm** We work actively with the farmers to ensure that their cows are doing well. As much of the cows' feed as possible Swedish and preferably produced on their own farms. At the dairy farm, the milk is checked at each collection. Odour, taste and antibiotic levels are analysed before the milk is taken to the dairy. And the bacterial content is checked for each farm to ensure that the milk is of the highest quality. The main risks, from a product perspective, are that antibiotics from any animal receiving treatment, or bacteria that can make the milk sour, reach the dairy.



**Other ingredients** In many of our products we use ingredients other than milk, for example, pulp of various fruits. The main risks associated with fruits are microbiological risks, fraud (eg organic fruit that is not organic), health risks (eg residues of pesticides or heavy metals), ethical risks, and transport risks. To reduce these risks we select our suppliers carefully and inspect them regularly. We also analyse samples of the fruit pulp to ensure it meets our requirements.

When selecting ingredients for our products, we always take environmental impact into account, considering whether to prioritise locally-produced raw materials and avoid ingredients that adversely affect nature, such as palm oil grown on land from which rainforest has been cleared.



**Production** During manufacture, the equipment is monitored carefully so that pasteurisation and cooling are performed properly. This is part of the HACCP method for preventing risks. When the product is ready, it is released for sale. Then we check that it tastes and smells right, that the results of microbiological analysis are satisfactory and that, for example, a lactose-free product contains no lactose.



**Our dairies** are certified according to FSSC22000 (food safety management system) and KRAV (organic products standard). In 2017 our ISO14001:2005 certificate expired. We elected to up-grade our certification to ISO14001:2015. This certification is done in two stages: we completed stage 1 for Skånemejerier AB at the end of 2017. Stage two is booked in 2018.

**Our packaging** is approved for use with food. Our packaging is approved for use in food. We also ensure that we have the right product in the right packaging at each point in the production. As far as possible, we choose packaging that includes renewable materials. We also participate in projects with our suppliers and others to develop more environmentally-friendly packaging. Packaging must include instructions for sorting after use.



**Distribution** Our products are distributed to our customers under refrigeration. We ensure that the cooling chain is unbroken and that the FIFO principle (first in first out) is used so that none of products are wasted.

**Traceability and Swedish products** With Skånemejerier's products we want the consumer to feel safe and certain. Therefore we have a unique tracing system for our milk. With our mobile app or via the website consumers can check which farms the milk in their cartons has come from. By entering the date and code printed on the packaging they can see which of our dairy farmers has delivered the milk contained in the product.





## LEGAL COMPLIANCE AND OUR CORPORATE CITIZENSHIP



Legal compliance is essential for Skånemejerier as we wish to be a good corporate citizen, a reliable partner, conducting our business with integrity and honesty and with respect for laws and regulations irrespective of where the business is conducted. A good corporate citizenship means also to minimize difficulties that our company activities can cause to the society. Our pursuit of sustainable development and our aim to be a good corporate citizen include a constant reduction of our environmental impact, minimizing emissions and discharge of environment polluting substances in compliance with applicable regulations.

Unfortunately we experienced two legal non-conformities during 2017, one at the dairy in Malmö and one in Kristianstad. The limit values for emissions from production to the municipal sewage treatment plant were exceeded due to increased production at the Malmö dairy, spite several actions to limit the emissions. We have applied for a new permit adjusted to present and future production, a process that is still ongoing at the County Administration Board. Skånemejerier has decided to invest in a water treatment plant that will be installed during 2018 in order to further reduce emissions. The deviation in Kristianstad was related to noise level from an old stirrer in an outdoor tank. The stirrer has been replaced and no complaints have been reported afterwards.

Skånemejerier's commitment related to responsibility, integrity and our products, services and partnerships shall be developed in line with environment and socioeconomic regulations, international declarations, conventions, regional and local legislation. We believe that good risk management is a precondition for a sustainable business, creating value for us and our stakeholders. Therefore we shall always aim to manage our most significant risks. Legal compliance and tasks related to this is clearly delegated within the organization, based on competence and ability to take responsibility. It is also a part of our internal audits and evaluated based on a legal register that is regularly updated and supported by Notisum. Our legal compliance and management system are reviewed by external parties when environmental and work environmental authorities come for their regular visits and external auditors do their review in relation to our ISO 14001 certification. This way we continuously work preventatively and wish to fulfill all expectations and requirements in terms of being a responsible corporate citizen.

## DEVELOPMENT OF HEALTHY PRODUCTS

We want to contribute to better public health through our products. Milk is a nutritious food and contains 18 of the 22 most important vitamins, minerals and amino acids. We try to preserve these nutrients and highlight this aspect in our products. As far as possible, we also want to offer alternative products, that meet particular demands regarding ecology, fat content, sugar content and lactose. Here we have seen that even small adjustments in recipes can bring big benefits for consumer health. We have developed guidelines to help us focus our product development efforts on creating the healthiest products we can.

When selecting ingredients for our products, we always take environmental impact into account, prioritising locally-produced raw materials and avoiding ingredients that adversely affect the environment whenever possible. For example, we do not use palm oil and we try to avoid using the sweetener sucralose.



2017 has seen a continued increase in demand for products containing protein, a little added sugar and a lot of vegetables. To meet this demand, we will launch Lindahl's Smoothie Bowl in 2018, a protein-rich natural product with up to 15 % fruit and vegetables. Within the BRAVO brand we will also launch a new smoothie containing vegetables.

We have also seen demand for natural yoghurt increasing. We think this is good, and in 2017 we decided to launch a new organic yoghurt and to improve our existing yoghurt products.

## CUSTOMER SATISFACTION IN FOCUS

That our consumers and customers are happy is the ultimate goal. We wish to create products that fulfil our consumers' expectations and the best value alternative to our customers.

Our focus in 2017 was to ensure that our yoghurt met consumer expectations. Four of Skånemejerier's yoghurt products were tested on consumers, who were invited to taste, comment and compare with other brands on the market. Hjordnåra organic yoghurt with natural fat came out best in the tests.

In order to keep track of what is important to our customers and how we are performing we have an evaluation system called "Handelsattityder". In this system you can find performance results related to e.g. ability to deliver, brands, CSR, behaviour, professionalism and profitability. This way we can identify our strengths and weaknesses in the eyes of the customer and we work continuously to improve in order to fulfil expectations.

During 2017 we educated our salespeople to cover our customers' needs. Furthermore we have strengthened our Customer marketing (Category management) in order to better be able to drive the development of the different categories. Big categories are for example dairy, cheese and juice. In order to increase the value in the category we work together with the customer via value adding initiatives. It can be everything from innovations, smarter solutions in the stores to the right assortment.

This way we wish to achieve the best alternative for our customers and consumers.

With the focus areas described in this report we wish to achieve our vision and mission.



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## THE MOST SUSTAINABLE DAIRY COMPANY IN SWEDEN

*We bring added value for our consumers to solve their nutritional needs with high quality and innovative dairy products and juice. We do it by adding value, protecting nature, developing partnerships, cooperate with suppliers and getting our employees motivated and engaged, offering the best value creating alternative for our customers- in a profitable way.*



## Members of the Sustainability Group



Above from the left: Marie Ysberg – Brand Manager Hjordnära, Lisa Jalakas – Project Manager Digital Media, Anna Frey-Wulff – Corporate Sustainability Manager, Fredrik Javensköld – Miljöansvarig, Karin Johansson Trivic – Product Developer, Madelene Risén – Marketing Manager, Catrin Shevtzoff – Key Account Public Sector, Anita Normann – Events.

Below from the left: Rickard Villell – OHS Manager, Urban Fasth – Purchasing Manager, Sandhya Nair – HR Partner, Christina Günther – Key Account Manager Commercial, Christian Wretman – Planning Manager – Supply Chain, Håkan Reveman – Head of Accounting.

Members not present: Anna Forslid – Director Milk Collection, Khirim Fager – Quality Manager, Caroline Hagman – Event Manager, Anna Oliw – R&D Manager, Mattias Jonälven – Warehouse/Industrial, Charlotta Ulmfeldt – Key Account Manager Commercial, Louise Heegaard – Brand Manager Marketing, Göran Tall – Transport Manager, Ebba Tärbe – Category Business Manager/ Customer Marketing, Elin Sonesson – Kvalitetssamordnare.





Skånemejerier

