

SUSTAINABILITY REPORT

2018



Skånemejerier



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About this report

This report has been produced by Skånemejerier AB, Organisation registration number 556820-8317.

This is a stand-alone sustainability report that encompasses Skånemejerier’s wholly-owned production units and the products that the business sells through Skånemejerier Försäljning AB.

We hope that you find the report worth reading. Please contact us via our website if you have any questions or comments:
skanemejerier.se/fraga-oss

Enjoy!

Anette Gregow
COMMUNICATIONS DIRECTOR



“Sustainability is the backbone of our strategy”



This is Skånemejerier's fifth sustainability report and the second time I have been given the opportunity to convey my view of how our market has developed and how we are dealing with the challenges we face. It is important to highlight all the work that goes into our products, as well as the value this brings to society and the environment as a whole.

The summer of 2018 was very hot in Sweden, as it was in many other parts of the world. The agricultural industry experienced climate change in the form of long-term impacts on the supply of raw materials. The risks associated with continuing “business as usual” became clear. We need to bring about change together, develop methods of capturing greenhouse gas emissions and promoting biodiversity. At the same time, it must be financially viable for our farmers to work in a sustainable manner. The heat presented farmers with great challenges, and in the future, we can anticipate rising prices for energy and packaging materials. In other words, we can expect food prices in the shops to rise in 2019.

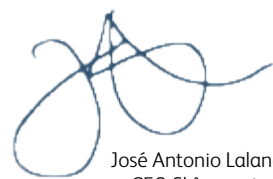
The dairy market declined somewhat in 2018, a total of 1.5 per cent. Some markets developed positively, for example yoghurt and cheese, while other segments such as organic milk and quark continued their downward trend. However, a beneficial mix of products, cost management and operational improvements resulted in good profitability for the company. The price of milk also dropped somewhat, by one per cent compared with 2017. During a year as hot as 2018, the juice market is worthy of a special mention, it increased by four per cent.

The UN Sustainable Development Goals give long-term focus to our effort to contribute towards sustainable

development. In 2018, we conducted a stakeholder analysis in order to identify where to focus our shorter-term work on sustainability. We identified climate impact, packaging with a lower environmental impact and prevention of food waste in the value chain as some of the issues we need to prioritise. These are areas we consider central to a sustainable value chain and factors we can influence directly.

Swedish milk has 44 per cent lower climate impact than the global average and our production facilities are currently running on 97 per cent renewable energy. Our packaging is 90 per cent recyclable material and our food waste has been reduced by 70 per cent since 2017. These are results we could not have achieved without the daily efforts of our suppliers and committed employees. We will keep improving within these areas through our partnerships with suppliers and customers, the optimisation of production and logistics and our choice of power sources.

In summary, in addition to achieving negative emissions and ensuring that we achieve the potential contribution our value chain can make to sustainable development, we also need to contribute to solutions to other daily challenges. We continually strive to provide people with high quality, innovative dairy products and juices. All this in line with our vision, our mission and our commitment to sustainability. Sustainability is the backbone of our strategy – now and in the future.

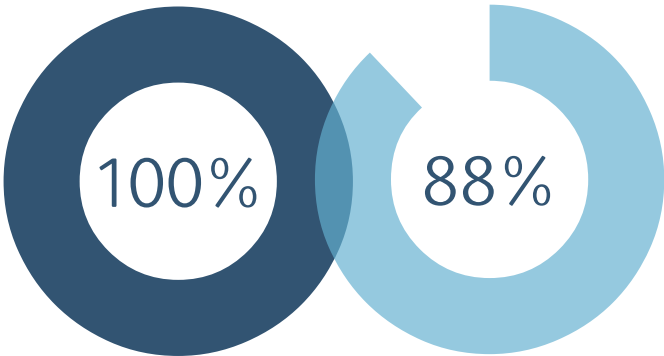


José Antonio Lalandá
CEO Skånemejerier



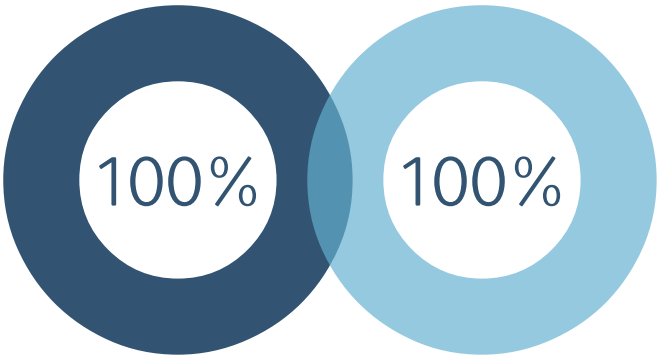


Highlights 2018



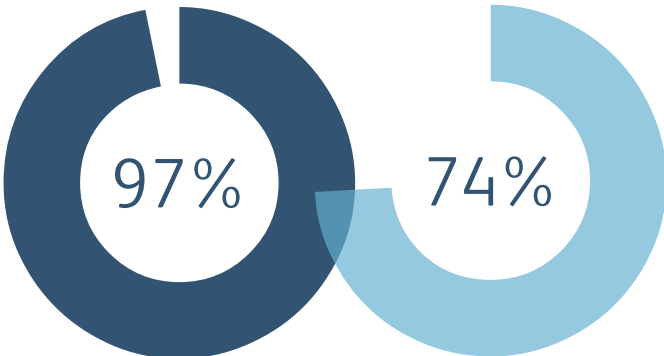
Animal Welfare

100 % of our farms are ISO 9001 certified, with additional focus on animal welfare, the environment and safety.
88 % of our cows are kept in loose housing.



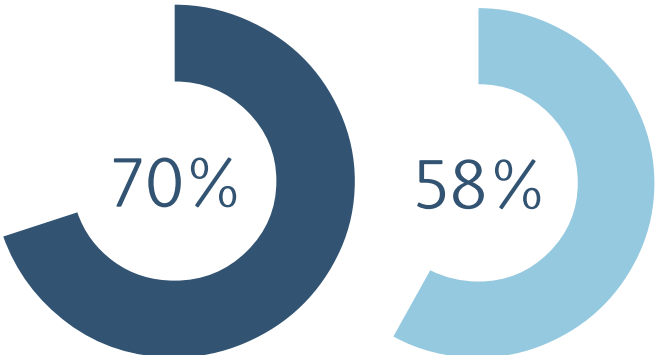
Responsible production and biodiversity

100 % responsibly produced soya.
100 % GMO free.



Towards fossil-free production and fossil-free transportation

97 % renewable energy in the production process.
74 % reduction in carbon emissions from our transport operations since 2010.



Reduction of food waste and general waste

70 % reduction in discarded products at the Malmö dairy since 2017.
58 % reduction in combustible waste at the Malmö dairy compared with 2014.



Our Organisation and Our Brands

Our Organisation and Our Brands

Today, Skånemejerier is a strong brand in the Swedish market as a whole. We have had a strong foothold in southern Sweden for a long time and we are now happy to see a growing interest in our products in other parts of the country, as well as in Europe. We are now also part of the Lactalis group, which provides us with additional experience in terms of dairy products.

Our organisation

Skånemejerier AB was founded in 1964 and, since the summer of 2012, has been a wholly owned subsidiary of French food group Lactalis, which is a multinational dairy company that has its head office in Paris.

Lactalis is owned by the Besnier family and was founded in 1933 by André Besnier. The Lactalis group currently has 80 000 employees and owns more than 250 factories in 50 different countries. Being part of a group as large as Lactalis means that we collaborate in networks that grow increasingly large over the years and in which experiences are shared internationally.

The majority of the Skånemejerier group's sales to the Swedish retail trade is conducted through Skånemejerier Försäljning AB.

This company is also home to the group's head office, management and other departments, all located in Malmö.

Sales to the retail trade are also conducted through Lindahls Mejeri-produkter AB and to the Swedish wholesale market via Skånemejerier Storhushåll AB.

Our production

The group's production operations are now conducted through Malmö Mejeri AB, Kristianstads Mejeri AB, Hjordnära Mejeri AB and Kristianstads Ostförädling AB. All subsidiaries are wholly owned by Skånemejerier AB. The parent company's primary operational activity is taking responsibility for the group's milk purchasing. We have around 650 employees and 346 farms in Skåne and southern Sweden that provide our dairies with milk.

Operations within Skånemejerier AB encompass the production and sale of milk, cream products, cheese, cooking fat, various fermented dairy products and fruit drinks. Production primarily takes place at our own dairy facilities in Malmö, Kristianstad and Hjo, but the production of some products is also subcontracted to external partners.

FIGURE #2
Skånemejerier's locations.

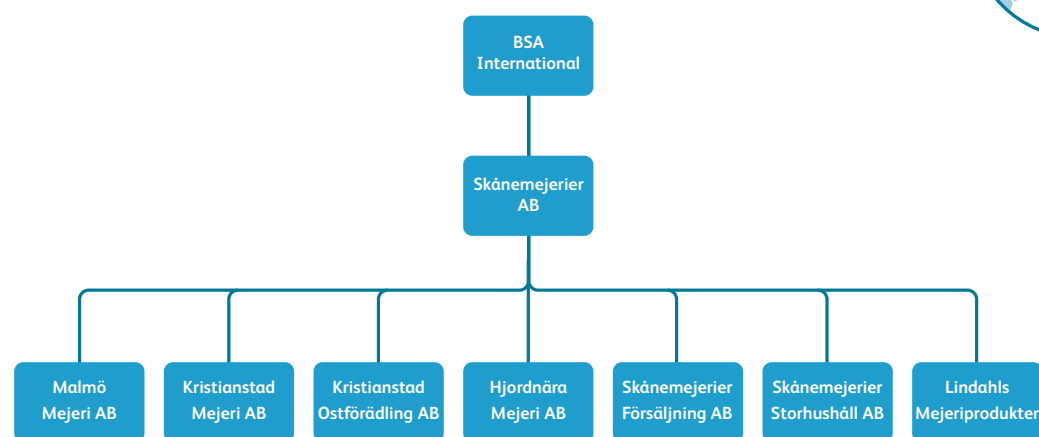


FIGURE #1 Organisation BSA International/Skånemejerier AB.





OUR BRANDS

We have several different brands in our portfolio in order to make it easier for our customers to find a brand that meets their specific needs.

With our broad product portfolio, we create experiences every day – from a lovely family breakfast with Bravo juice, Skånemejerier yoghurt and Allerum mature cheese, to protein-rich snacks before and after a workout with Lindahls, or with Salakis Turkish yoghurt in a tasty sauce for dinner.

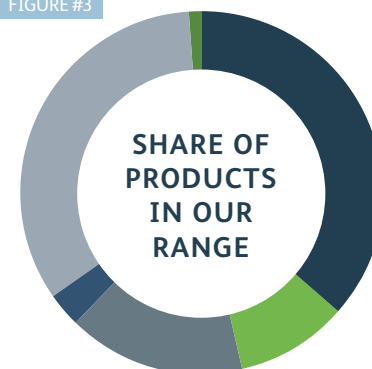
When we summarise financial year 2018, we can conclude that customers are continuing to look for products that are good for both body and soul. In the past year we have successfully launched Skånemejerier MåVäl, our healthy lactose-free range, and consumers can now enjoy milk, yoghurt, yoghurt quark and crème fraîche all over Sweden.

Bravo Smoothie continued to be a great success and became market leader with a 48 per cent volume share.

Bravo Smoothie is a smoothie made of 100 per cent fruit without any additives. Every third pack of juice bought is a Bravo pack and the brand is the definitely the most well-known juice brand in Sweden. Bravo Smoothie has become the market leader in its segment and was nominated to FMCG Product of the Year 2018.



FIGURE #3



MILK	37 %
CREAM	10 %
YOGHURT, SOUR MILK & QUARK	16 %
CHEESE	3 %
JUICE	34 %
OTHER	1 %

We can also see that an increasing number of consumers are demanding dairy products with a higher fat content. In 2018, we launched additional flavours within Skånemejerier's Greek product range and a new flavour of our creamy fruit yoghurt.

Private label

Skånemejerier has a commitment towards our farmers to utilise all the milk they produce. This gives them security and continuity in their work. In order to ensure we are able to meet this commitment, we need to have a broad product portfolio and decrease the skimmed milk surplus. We also strive to achieve a balance in this regard in the collaboration with our customers.



As we see that demand for FMCG retailers' own brands continues to be strong, we have chosen to actively respond to this. As part of this work, we have entered into partnerships through which we are gaining an outlet for potential milk surpluses and creating products with added value instead of wastage. We are continually working to optimise the process in a close dialogue with our partners. This is done to achieve sustainable development in this area, with more active governance on the part of Skånemejerier.

Demand for organic products

The Swedish government has set as a goal that, by 2030, 30 per cent of Swedish agricultural land will be certified organic and 60 per cent of the public-sector consumption of food-stuffs shall consist of certified organic products.

Skånemejerier currently works with 58 organic farms, which is the equivalent of 18 per cent of the volume of milk we receive. Despite of the drought in 2018, the volume of organic milk received increased, but at the same time, sales of organic products have decreased by six per cent from 2017 to 2018. Sales of organic milk and yoghurt have decreased by seven and four per cent, respectively. On the other hand, sales of organic butter and cheese have increased by 36 and 11 per cent, respectively.

Naturally, we want sales of our organic products to increase, and in 2018, we carried out several surveys in order to better understand consumers' and customers' attitudes, expectations and perceptions of our brands. Based on the result of these, we have acquired detailed knowledge that will form the basis of continued strong development for our organic range as well.

SKÅNEMEJERIER OUTSIDE OF SWEDEN

Our largest market share is in southern Sweden, but there is also interest in our milk, yoghurt and other fermented dairy products in the rest of Sweden and Europe.

Anders Lundqvist, key account manager, tells us more about Skånemejerier's partnerships abroad:

What is your role at Skånemejerier?

"I am responsible for all exports and key accounts for the chains Bergendahls and Lidl. We sell 6 500 tonnes of products to Finland, Denmark and Norway. At the moment, Norway is our largest Nordic partner. In the rest of the EU, we work with Benelux and the UK, Portugal and Switzerland, with Benelux and the UK being the largest. We will soon also be distributing products to Spain."

Which products are most popular abroad?

Lindahls kvarg, Turkish yoghurt and Allerum cheeses are our bestsellers abroad. Quark and Turkish yoghurt sell particularly well.

How do our foreign partners' view sustainability?

Outside the Nordic countries we have noticed primarily that they value sustainability and work in accordance with Swedish guidelines. In these countries,



KEY ACCOUNT MANAGER, ANDERS LUNDQVIST

Swedish milk represents responsibly produced dairy products. One example of this is London, where, in autumn 2018, a pop-up café was established called Swedish Forest Café using the hashtag "live like a Swede".

What does the term sustainable products mean to you?

For me it's about a chain where responsibility stretches all the way from farm to table. Looking at the bigger picture from beginning to end in a transparent flow and where no short cuts are taken and nothing is taken for granted.

How do we influence our foreign partners to move in a more sustainable direction?

We inform them about our sustainability efforts, what our Swedish milk stands for and about the work we are doing at every stage of the process. If you want to put the Swedish flag on the packaging, the European consumer must understand what it stands for.

In your opinion, what does Skånemejerier stand for?

Credibility, innovation and long-term effort.

If you were to swap jobs with someone else at Skånemejerier, who would it be?

I have such a fun job that I can't see anything else that would be more fun, but I would be curious to try being a farmer for a day.

SUSTAINABLE CONSUMPTION, COMMUNICATION AND BRANDS

Today's consumers focus on sustainability

The fact that we, as consumers, are making the right choices in the shop has an impact not only on ourselves, but also on the planet. It is important to consume in a sustainable manner,

and since 2017, the number of consumers who say that sustainability affects their purchasing decisions has increased tremendously. This is shown in the latest survey carried out by Sustainable Brand Index.

First place!

Sustainable Brand Index is Scandinavia's largest brand survey connected to sustainability. In 2018, consumers designated us Sweden's most sustainable dairy for the second year in a row and Skånemejerier ended up in 16th place out of a total of 326 brands, something we are incredibly proud of. That means that we are reaching out to our consumers and that they have confidence in us.

According to this survey, animal welfare is an area that consumers think the dairy industry has to focus on, and this is something we are doing to the greatest possible extent. We are also working constantly to build confidence through our communication, primarily via social media. We receive many questions from customers that we always forward internally in our organisation. It is important that we can adapt to public demand and that there is a breadth to the questions we take into consideration in our overarching decisions within the company.

We appreciate the involvement of our consumers and the dialogue we have with them. At the same time as we want to talk outwardly about our sustainability efforts in order to drive forward sustainable consumption, we also receive lots of relevant and interesting external feedback that means we keep up to date with current issues. Based on that, we do our utmost to meet the expectations of our consumers.



SWEDISH FOREST CAFÉ LONDON. PART OF THE CAMPAIGN "LIVE LIKE A SWEDE"



Vision, Mission Statement and Values

VISION

“The most sustainable dairy in Sweden”

For Skånemejerier, sustainable business is about running the company with the future in mind. We want to be part of the solution to society’s collective challenges by creating nutritious products and minimising the risk of negative impact on humans and the environment – at the same time as we embrace the business opportunities that arise through new, innovative business models that create value.

MISSION STATEMENT

We add value to all stages of the value chain by protecting nature, creating partnerships, collaborating with suppliers, involving our employees and offering our customers the best option – in a profitable manner.

OUR VALUES – ambition, commitment, simplicity

We have used the Lactalis group’s values as a foundation for strengthening our affiliation and collaboration with our owners in the French Lactalis group. This forms the basis of how we work and achieve results together.

Our values in relation to our vision and mission.



We strive towards collective and individual achievements that develop both the company and people.

We act as entrepreneurs, are responsible and loyal.

We are accessible, flexible, open and pragmatic.



OUR GUIDING PRINCIPLES – THE GLOBAL SUSTAINABLE DEVELOPMENT GOALS

The world’s leaders have committed themselves to 17 global goals to end extreme poverty, fight inequality, solve the climate crisis and promote peace and justice by 2030. If these goals are to be achieved, everyone must be familiar with them. That is why we have chosen to create a direct connection to them in our mission statement.

Five of the UN Sustainable Development Goals are Skånemejerier’s guiding principles on the road to 2030. These goals have been chosen as they represent the positive impression our business can make, i.e. what we think the company can contribute to in terms of sustainability. The five goals also represent areas of value creation that entail clear benefits and strengths for the business’ sustainable development and its stakeholders.

Our contribution to sustainable development
In our improvement work, the starting point is that we must be able to manage our risks at the same time as our positive influence propels the operations forward. When we take aim at our five guiding principles, we have chosen to focus on the targets described in the table on the next page in order to make it clear what our contribution is within each area in the run-up to 2030.

MISSION STATEMENT

We create value for our consumers by providing high quality, nutritious and innovative dairy products and juice.

We add value in every stage of the value chain, by protecting nature, creating partnerships, collaborating with suppliers, engaging our employees and representing the best option for our customers in a profitable way.

2

ZERO HUNGER

8

DECENT WORK AND ECONOMIC GROWTH

12

RESPONSIBLE CONSUMPTION AND PRODUCTION

15

LIFE ON LAND

17

PARTNERSHIPS FOR THE GOALS

SUSTAINABLE DEVELOPMENT GOAL (SDG)	DESCRIPTION OF THE GOAL	TARGET	SKÅNEMEJERIER'S CONTRIBUTION TO THE TARGET
<div>2</div> <div>ZERO HUNGER</div>	End hunger, achieve food security and improved nutrition and promote sustainable agriculture.	2.4 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.	An larger population requires us to use the earth's resources in a responsible manner. Sweden is a natural dairy country with access to land, open landscapes, biodiversity, good animal welfare, efficient production and competent farmers. The dairy industry and its working methods and ethics shall contribute to development and a secure food supply in a sustainable perspective. Skånemejerier would also like to encourage better diets and health through our products and services and our commitment to the community
<div>8</div> <div>DECENT WORK AND ECONOMIC GROWTH</div>	Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all.	8.5 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.	Our code of conduct and diversity policy shall protect employees' rights and improve the work environment for all employees. We want to improve diversity and ensure equal treatment of women and men, achieve increased economic productivity through diversity, technological development, training and innovation. Our role in society shall be reflected in our events, and the partnerships we enter into shall lead to sustainable growth.
<div>12</div> <div>RESPONSIBLE CONSUMPTION AND PRODUCTION</div>	Ensure sustainable consumption and production patterns	12.5 By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse. 12.3 By 2030, halve per capita global food waste at the retail and consumer levels and reduce food losses along production and supply chains, including post-harvest losses.	Through close collaborations with suppliers, customers and consumers, we work to prevent waste and food waste linked to both our production processes and our products
<div>15</div> <div>LIFE ON LAND</div>	Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss.	15.5 Protect biodiversity and natural habitats.	Grazing cattle provide benefits that are difficult to mimic. Ecosystem services and biodiversity are important to sustainable development and natural pastures are one of the environments in the Swedish agricultural landscape that is most rich in species. A large portion of these pastures are grazed by dairy cattle, and we must preserve them.
<div>17</div> <div>PARTNERSHIPS FOR THE GOALS</div>	Strengthen the means of implementation and revitalize the global partnership for sustainable development.	17.16 Enhance the Global Partnership for Sustainable Development, complemented by multi-stakeholder partnerships that mobilise and share knowledge, expertise, technology and financial resources, to support the achievement of the Sustainable Development Goals in all countries, in particular developing countries.	Skånemejerier wants to be part of those sustainability agendas that are relevant to the industry and to exchange knowledge and strategies in order to strengthen the implementation of the Sustainable Development Goals. We want to be part of the solution in order to reduce the industry's climate impact in partnership with the research community.

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RISK MANAGEMENT WITH A FOCUS ON PLANETARY BOUNDARIES

The three dimensions of sustainability – environmental, social and economic – cannot be seen as separate parts; they are all dependant on each other.




The term planetary boundaries was first published in 2009 and identifies nine global processes that are linked to changes in the environment and driven by human activity. Exceeding the planetary boundaries entails great risks for present and future societies.

At the moment, we have chosen to describe how we want to meet these goals as shown in the figure Business model on the following page. This business model will be revised further during 2019 on the basis of a stakeholder analysis that was carried out in 2018. This is being done in order to create clear areas of strategic focus that are in line with our stakeholders and the Sustainable Development Goals.



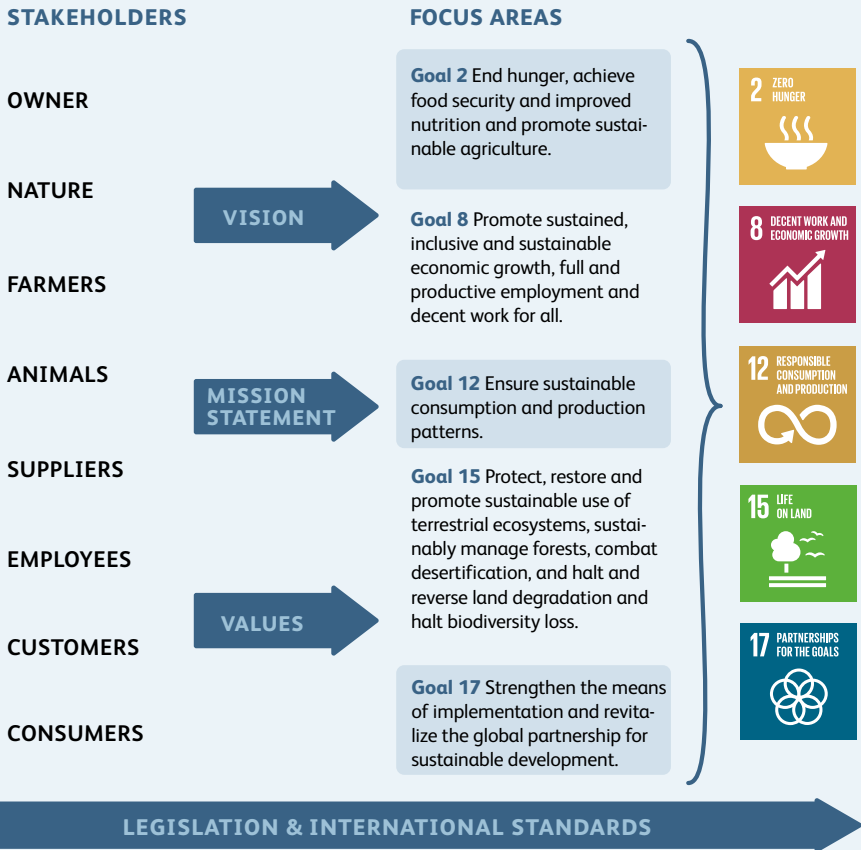
FIGURE #4 "The planet sets the boundaries", Johan Rockström, Stockholm Resilience Centre.

GRAPHICS BY JERKER LÖNNBÄNTZ / AZOTE

SUSTAINABLE DEVELOPMENT GOAL (SDG)	DESCRIPTION OF THE GOAL	TARGET	SKÅNEMEJERIER'S CONTRIBUTION TO THE TARGET
	Improve water quality, wastewater treatment and safe reuse.	6.3 By 2030, improve water quality by reducing pollution, eliminating dumping and minimizing release of hazardous chemicals and materials, halving the proportion of untreated wastewater and substantially increasing recycling and safe reuse globally.	We invest in water purification, measurements and the follow-up of discharges. We produce our products in accordance with the best possible methods and technologies.
	Take urgent action to combat climate change and its impacts.	13.1 Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries. 13.3 Improve education, awareness-raising and human and institutional capacity on climate change mitigation, adaptation, impact reduction and early warning.	We invest in green energy, fossil-free fuels and supplier agreements. We follow up improvement efforts on the farm and train employees in order to ensure we have control over environmental aspects in relation to carbon dioxide emissions. This is done to create better conditions and improve resilience to climate related risks.
	Conserve and sustainably use the oceans, seas and marine resources for sustainable development.	14.1 By 2025, prevent and significantly reduce marine pollution of all kinds, in particular from land-based activities, including marine debris and nutrient pollution.	We ensure we have control of plant nutrient balances, water use and chemical management in order to set a high standard and achieve a balanced supply of nutrients.

Read more about how we manage these risks in the sections Planet, People and Production.

FIGURE #5 Business model.



A woman with dark hair tied in a bun, wearing a blue denim shirt, is shown in profile. She is holding a clear glass to her lips with her right hand and a white plate with a piece of food with her left hand. She is standing in front of a large, multi-paned window that lets in bright, natural light. The overall mood is calm and domestic.

Stakeholder Analysis and Governance

Prioritisation of our sustainability efforts

In order to ensure the focus of our sustainability efforts is relevant, an extensive stakeholder analysis is carried out every three years. In 2018, it was again time, and we have carried out a comprehensive survey in order to ensure we have the right focus for the years ahead. Through the stakeholder analysis, Skånemejerier's most material sustainability issues are defined; those that will form the core of our sustainability efforts. The survey was carried out on the basis of GRI's (Global Reporting Initiative) criteria for identification, inclusion and response to selected stakeholder's expectations.

The main selection criteria were that the group of stakeholders was to have a relationship with Skånemejerier and that those included were in the food business, customers from the private sector, suppliers (of packaging and haulage services), dairy farmers, trade associations, municipalities, employees, students and consumers.

In order to capture a broad stakeholder perspective, the survey consisted of a combination of qualitative extended interviews and a questionnaire with quantitative questions. The qualitative section consisted partly of open discussion questions that gave stakeholders the opportunity to reflect broadly on sustainability – partly on specific questions connected to the stakeholder's role or organisation and questions

related to how Skånemejerier's sustainability efforts and communication concerning sustainability are perceived.

The quantitative section of the survey was based on 27 selected sustainability questions that were taken from Skånemejerier's previous materiality assessment, business intelligence and evaluation system. In order for the analysis to capture both internal and external perspectives, the quantitative result – i.e. the ranking of the 27 selected sustainability issues – was set in relation to the corresponding ranking carried out by Skånemejerier's sustainability group. The sustainability group's pers-

pective was then compared with the perspective of all stakeholder groups. Doing this made it possible for the analysis to seize on the perspectives of both Skånemejerier and the stakeholders, with a specific focus on the sustainability aspects that have been listed as very important.

RESULTS OF STAKEHOLDER ANALYSIS AND THE MANAGEMENT'S VALIDATION
The qualitative and quantitative sections were then used as a basis for discussions during a workshop involving the senior management group. The workshop focused on the combined results of the responses from all stakeholders, with a particular focus on the sustainability aspects that have been listed as very important. The participants were asked to assess the sustainability issues' positive or negative impact on the economy, environment and society – from low to high. *The results are illustrated below.*



FIGURE #6 Results of Skånemejerier's stakeholder analysis.

Most material issues		Impact	Ability to influence	Impact Direct/Indirect	Description/ See chapter
1	Manage climate-related risks	High	High	Direct/Indirect	Our responsibility for the planet & production
2	Reduce environmental impact on the farm	High	Medium	Indirect	Our responsibility for the planet
3	Support animal welfare on the farm	Medium	Medium	Indirect	Our responsibility for the planet
4	Offer healthy products	High	High	Direct	Our responsibility for the planet
5	Offer careers and competence development to employees	High	High	Direct	Our responsibility for humans
6	Reduce climate impact and resource use in our dairies	High	High	Direct	Our responsibility for production
7	Work with packaging options with a lower environmental	High	Medium	Direct	Our responsibility for production
8	Prevent food waste and waste	High	Medium	Direct/Indirect	Our responsibility for the planet & production

Material issues		Impact	Ability to influence	Impact Direct/Indirect	Description/ See chapter
9	Maintain biodiversity	Medium	Medium	Indirect	Our responsibility for the planet/ Report deviations
10	Evaluate suppliers based on environmental, ethical and social responsibility	Medium	Medium	Indirect	Our responsibility for humans
11	Efficient transport	Medium	Medium	Direct/Indirect	Our responsibility for production

RESPONSIBILITY THROUGHOUT THE VALUE CHAIN
The workshop, together with the assessment of how our operations influence and controls sustainability efforts at all stages from raw material to the finished product, finally resulted in a decision regarding Skånemejerier's most material sustainability issues connected to the entire value chain (see Figure #6 on the previous page).

The value chain is divided up into our most significant risks and opportunities and is governed either directly or indirectly.

The direct governance takes as a starting point that which we as a business are able to influence directly and the indirect governance is linked to partnerships and business relationships on which we have an indirect influence.

The direct governance encompasses the environmental, social and the economic impact of our operations. Within this field, we have developed key ratios in order to measure and minimise risks and thereby monitor the impact we are having.

Indirect governance is the influence our operations have as a result of the business relationships that are necessary for Skånemejerier's activities and

that are outside of our direct control. We monitor and minimise risks by auditing and evaluating our suppliers.

PRODUCTS, SERVICES AND OUR SUPPLIERS
Our products are the result of well-executed work in which our material sustainability issues are at the centre and create value. We work with a number of different suppliers around the world and ensuring that sustainability is taken into account has become as important as cost-effectiveness and results.

In order to get a better picture of our suppliers and how they relate to the organisation's products and brands, see the survey in Figure #8 on the next page.

OUR COOPERATION WITH STAKEHOLDERS
Cooperation and follow-up currently takes place through a number of evaluation systems. See the list of evaluation systems below.

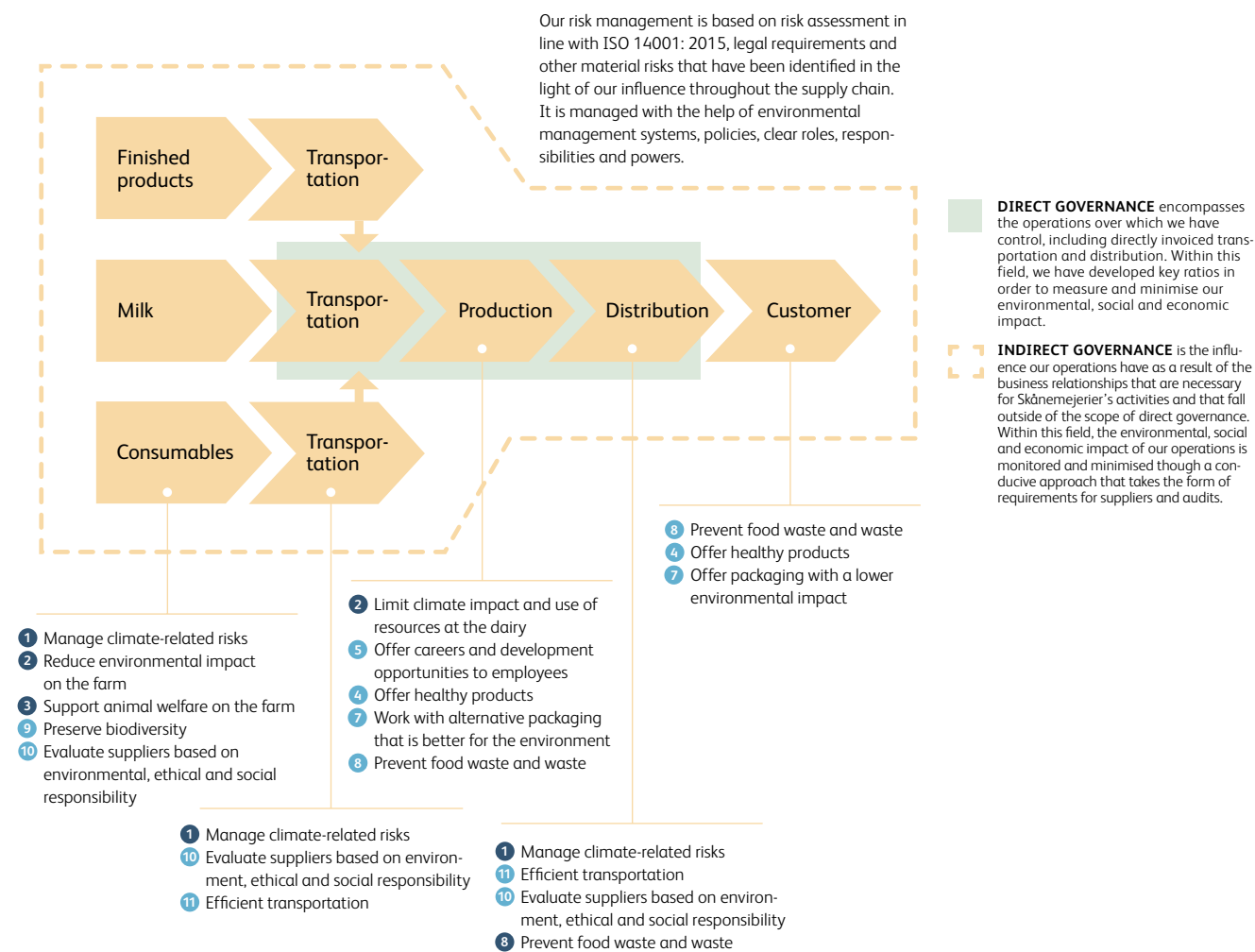
Many of the issues highlighted in the stakeholder analysis are captured in these systems. The next step is to integrate specific qualitative issues into a business model that highlights areas such as profitability on the farm, alternative protein solutions and climate-positive initiatives. Issues that have been raised by farmers, business representatives and customers.

KEY RATIOS LINKED TO OUR MATERIAL SUSTAINABILITY AREAS
Defining and following up key performance indicators linked to our material issues is a continuous process of improvement. On page 27, we present the key ratios we currently have that are linked to our material sustainability issues. These key ratios are followed up when necessary during expanded senior management group meetings and during the management briefing.

Stakeholders	Evaluation systems
Owners	Key ratios
Nature	Farm certification
Farmers & Animals	Farm certification
Suppliers	Agreements & audits
Employees	Employee survey
Neighbours	Complaints
Authorities	Inspections and environmental report
Customers	Business attitudes, audits and complaints
Consumers	YouGov/Sustainability Brand Index/ Facebook

FIGURE #7 Skånemejerier's evaluation systems

FIGURE #8 Our influence and the governance of material issues throughout the entire value chain.



PRODUCT GROUP	SUPPLIER (TYPE AND NUMBER)	LOCATION	TYPE OF PRODUCT/ RAW MATERIAL/SERVICE	BRANDS
Finished products	29 contract manufacturers of products 15 transport companies	Scandinavia Central Europe Eastern Europe Brazil	Juice Yoghurt Cheese Cream Butter* Milk	
Milk	355 Swedish dairy farms	Sweden	Yoghurt Cheese Cream Milk	
Necessities	83 suppliers, producers and service companies 20 transport companies	Scandinavia Central Europe Eastern Europe South Asia	Packaging, ingredients, machinery, maintenance, premises, fuel, energy, water, cleaning transport etc.	

FIGURE #9 Survey of Skånemejerier's business partners linked to the value chain and our products and brands.

STATUS 2018

SUBJECT	2020	2030	OBJECTIVE	Status 2019	SDG (Sustainable Development Goal)
PLANET					
Responsible suppliers	▶▶	▶	100 % supplier's agreement includes UN Global Compact and Code of Conduct (based on risk analysis)	See chapter Planet	
Protect the environment	▶▶	▶	Preserve the current amount of organic milk compared to 2017 (15 %)	18 %	
Protect the environment	▶▶	▶	Preserve unfertilised natural pastures compared to 2017 (14 %)	14 %	
Protect the environment	▶▶	▶	100 % conducted Energy	67 %	
Protect the environment	▶▶	▶	100 % responsibly produced soya in connection with dairy products	100 %	
Protect the environment	▶▶	▶	100 % GMO free	100 %	
Increase feasibility		▶	Increase registration in Klimatkollen by 30 % by 2020. 100 % by 2030 (30 % 2017)	30 %	
Increase feasibility	▶▶	▶	Create partnership for sustainable development. E.g. Partnership Alnarp	See chapter Planet	
PEOPLE					
Employee survey	▶		95 % response rate	79 %	
Employee survey	▶▶	▶	100 % action plans implemented in connection with employee survey	See chapter People	
Training	▶▶	▶	80 % of employees have completed their training in accordance with the training plan annually	77 %	
Absence due to illness	▶▶	▶	4 % total absence due to illness	4 %	
Accidents	▶		Accident rate of 15	19,04	
Incident reports	▶		216 (0.3) reports per employee	284	
Code of conduct	▶▶	▶	100 % of employees have signed and understood the code of conduct	See chapter People	
Diversity and equality policy	▶▶	▶	100 % of employees have signed and understood the diversity and equality policy	26 %	
PRODUCTION					
Energy		▶	100 % renewable energy 2025	97 %	
Fuel		▶	Reduce CO ₂ emissions by 70 % by 2025	74 %	
Water use (Kristianstad)	▶		40 % reduction in water use 2020 compared with 2016	28 %	
Water use (Malmö)	▶		Goal 2019: Implement more measurement points in order to improve monitoring and set goals	See chapter Production	
Waste (Raw material Kristianstad)	▶		40 % reduced COD 2020 compared with 2015	32 %	
Waste (Raw material Malmö)	▶		40 % reduced COD 2020 compared with 2017	19 % increase	
Waste		▶	100 % renewable packaging	66 %	
Waste (Malmö)	▶		Reduce the amount of combustible waste by 50 % to 2020 compared with 2014	58 %	
Waste (Kristianstad)	▶		Reduce the amount of combustible waste by 50 % by 2020 compared with 2014	6 %	
Complaints	▶		30 % reduction in complaints by 2020	13 %	

▶▶ = Two arrows mean annually until 2030.

Governance and sustainability at every stage

Skånemejerier is a part of the Lactalis group but local sustainability efforts are adopted by Skånemejerier’s board of directors..

As the senior management group consists of representatives from the entire supply chain, with optimal insight into Skånemejerier AB’s activities, most decisions linked to tangible sustainability efforts are dealt with at the senior management group level. If substantial changes are made to the focus areas and goals, this has to be decided by group management in accordance with the model below. Skånemejerier works to ensure that sustainability permeates every aspect of its business and leads to efficient work to achieve our goals and in line with defined action plans. The direction of our sustainability efforts is set by the senior management group, but the

commitment and driving force come from within the business, where responsibility for this is shared between representatives from the entire supply chain in the form of Skånemejerier’s sustainability group. The aim and method for this group’s work has been adopted in 2018, as has how the group’s influence is to be managed in line with the procedures for governance and decision-making in Skånemejerier AB.

Unit for decision-making	Description
General meeting with Lactalis’ shareholders	The highest decision-making body. The Lactalis group is privately owned by the Besnier family.
Lactalis’ board of directors	The highest decision-making body in Lactalis after the general meeting.
Lactalis senior management group	The senior management group in Lactalis is represented by managers and directors with skills within different areas. The senior management group supports Skånemejerier in its decision-making within relevant areas. .
Skånemejerier’s board of directors	In accordance with the Companies Act the board of directors’ responsibilities include the company’s management and organisation as well as making an assessment of the company’s financial position. Skånemejerier’s board of directors is represented by the CEO of Skånemejerier, three representatives from the Lactalis group, two employee representatives and two deputy employee representatives (appointed by the company’s trade unions). At the board meetings the accounts and the annual budget is reported and evaluated.
Skånemejerier’s senior management group	A senior management group including the CEO of Skånemejerier and some of Skånemejerier’s heads of departments meet each week to push forward the operational activities that are required for the daily activities. The senior management group is ultimately responsible for the company having efficient risk management.
Extended senior management group	The expanded senior management group includes the CEO of Skånemejerier and all heads of departments. The meetings take place once a month. During the extended senior management group meetings larger projects and issues are discussed.
Sustainability group	The sustainability group may partake in the expanded senior management group meetings to highlight issues and risks and make suggestions.
Heads of department	Skånemejerier is organised in different departments such as Sales, Marketing and Industry.

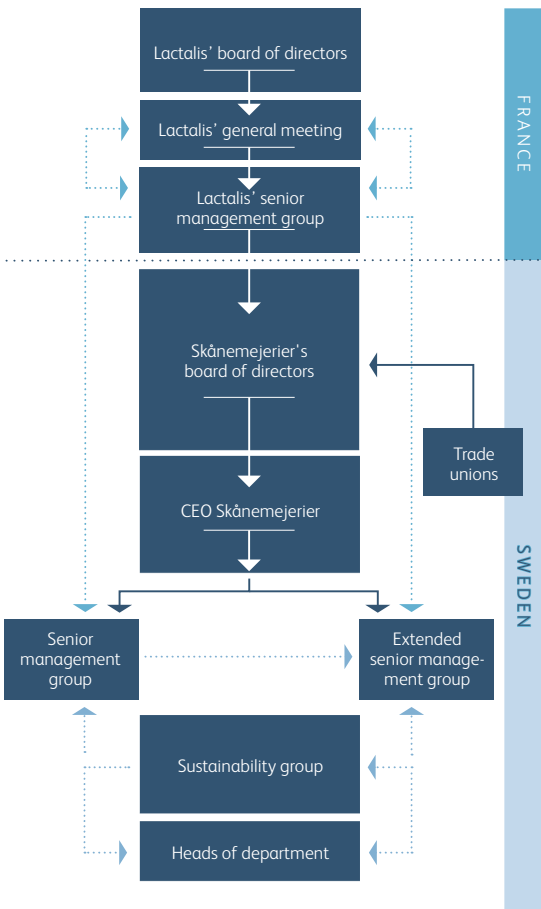
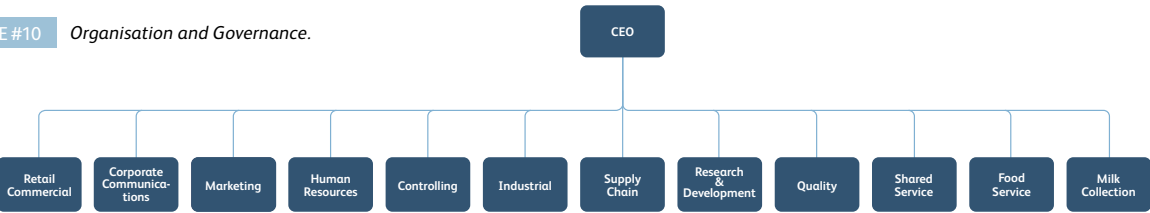


FIGURE #10 Organisation and Governance.



Sustainability group – commitment inside and out

But what really drives our sustainability efforts is our committed employees. Together we cover the entire value chain from farm to shop and onwards into society.

Skånemejerier’s sustainability group contains experts on everything from milk collection, purchasing, logistics and HR to environment, quality, production, R&D, events, marketing and social media. This allows us to cover economic, environmental and social aspects of sustainability in an interdisciplinary perspective.

With the starting point being a systematic improvement process, the UN Sustainable Development Goals and our prioritised sustainability areas, the

sustainability group discusses Skånemejerier’s challenges in a forum governed by clear targets.

Working in an interdisciplinary manner is the right path to more effective solutions, where knowledge and experience lead to improvements across departments and processes. The sustainability group is coordinated by the corporate sustainability manager who secures strategic support by presenting the group’s results and issues at expanded senior management group meetings.

“In the sustainability group we create involvement and an increased understanding of each other’s challenges. The group is a great support in the sustainability work and the members function as ambassadors of each respective area. It feels secure and motivating to see this involvement that really manifests at all of our meetings”

ANNA FREY-WULFF,
CORPORATE SUSTAINABILITY MANAGER



Top left: Håkan Reveman, Eva Liv, Rickard Villell, Madelene Risén. Middle left: Natalie Axelsson, Cecilia Nilsson, Sandhya Nair, Anita Normann, Catrin Shevtzoff, Marie Willberger, Anette Gregow. Bottom left: Joakim Åkesson, Anna Frey-Wulff, Caroline Hagman, Charlotta Ulmfeldt. For more information on the group members, see page 102.



Our Responsibility for the Planet

Responsibility in the Supply Chain

Running a business responsibly involves everything from respecting human rights to taking responsibility for the environment and the promotion of biodiversity. We work for equality and good working conditions, both at home and where raw materials are grown, produced and transported

A large proportion of Skånemejerier's purchasing involves raw materials. Primarily milk, but our range includes everything from inexpensive locally produced organic products to imported high-quality products. It is important that we have control over the purchasing of finished products, inputs such as fruit juice, fruit preparations, cleaning chemicals, energy and other inputs that are required in order to provide consumers with products in order to ensure that our supply chain is accountable and sustainable.

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 etc. In 2018, our focus has been on updating our code of conduct and integrating this into all our contracts. We continuously evaluate suppliers on the basis of an initial risk assessment in order to safeguard the chain, and the objective is for 100 per cent of our suppliers to have our updated code of conduct included in their contracts prior to 2020.

Our quality management when purchasing not only contributes to better monitoring, but also to internal understanding of our operations' potential to have a positive impact. In this respect, it is advantageous to be part of a large group like Lactalis as there is a working method that has been in place for a long time that involves Lactalis' suppliers having been thoroughly audited. Lactalis' working method is built around various types of detailed issues being evaluated, for example product safety, the environment and ethical and social aspects, including the UN Global Compact, which encompasses human rights.

These quality factors are prerequisites for signing a contract with us. A systematic and careful follow-up is carried out on the basis of the evaluation, e.g. through audit inspections at our suppliers, in order to ensure that the supplier is complying with its undertakings. In 2018, a global network was started in which all group auditors work together to make the audits more efficient globally.

"Our global network for auditors has created good conditions for us to improve our monitoring of suppliers even more. Being able to use one another's experience and collaborate on follow-up doesn't just improve compliance, but also results in fewer trips, which is good for the environment."

KHIRIM FAGER,
QUALITY & ENVIRONMENTAL MANAGER

Bribes and corruption

It is forbidden to demand or to give any form of promises in connection with gifts. Skånemejerier and its employees may never use improper payment, bribery or unlawful compensation of any form in relation to customers, suppliers, authorities or other decision-makers for the purpose of e.g. creating or maintaining business relationships. Offers of hospitality may only be accepted if they are within the scope of good business conduct. If there are doubts as to what applies in individual cases, employees at Skånemejerier shall always contact their line manager for guidance. There have been no violations relating to bribes or corruption in 2018



PURCHASING DIRECTOR, GARY CURTY

These working methods also contribute to improving the purchasing procedures further. Purchasing Director, Gary Curty tells us more:

What is your role at Skånemejerier?

I'm Purchasing Director. My responsibility is to have control over all purchasing of direct and indirect materials linked to the products and services we sell for Lactalis Nordic.

What do you find to be the most material risk linked to purchasing?

There are many risks to take into consideration, but the most material risks within purchasing are currently access to raw materials, food fraud and environmental impact.

How do you protect against this risk?

We assess and evaluate our suppliers before we start working together. We adhere to Lactalis' quality and food safety rules and our suppliers must adhere to these rules. In addition to the documentation we also conduct on-site audits.

What does sustainability linked to purchasing mean to you?

For me, it means that the raw materials are produced in a sustainable manner with minimal environmental impact and that our producers are protected in



the best possible way. We constantly encourage both ourselves and our suppliers to move in a more sustainable direction.

How do we influence the value chain to move in the right direction?

As one of the largest dairy producers in Sweden and as a part of one the largest global dairy groups, we have a responsibility to lead. Through inno-

vation and strategic collaborations with our suppliers, we always strive to be at the forefront when it comes to sustainable solutions and products.

In your opinion, what does Skånemejerier stand for?

For me, Skånemejerier stands for genuine, locally produced products, innovative and strong brands and tasty products.

If you were to swap jobs with someone at Skånemejerier for a day, who would it be?

I would have wanted to swap with our heads of marketing. I am astonished by their creativity, which is very inspiring. It must give them a sense of joy and satisfaction to see how our products affect consumers in their everyday lives.

Greetings from the Orange Plantation in BRAzil

Bravo is Sweden's first and biggest juice brand. Bra in the name Bravo signifies that the juice originally (1973) came from Brazil. In autumn 2018, we travelled to Brazil to follow the oranges' journey from farm to table. Via three leading producers, we were given the opportunity to visit a nursery, orange plantations, production units and the port in Santos from where the orange concentrate is shipped to Europe. We also visited Fundecitrus, a research institute with a focus on controlling citrus diseases and pesticides.

Purchaser Christina Wennberg talks about the visit to Brazil:

The citrus belt

We visited five farms during our visit. About half of the plantations in Brazil are owned by juice companies and the other half by independent growers who sell the fruit to producers. All of these farms are in the "citrus belt" in the state



PREPARATIONS HERE FOR GRAFTING AT THE NURSERY

of São Paulo. The area covers 113 000 square kilometres and eighty per cent of all oranges in Brazil come from this area. This area has the optimum conditions for growing oranges. The soil, the sunlight, the heat and the access to water result in maximum yield and high quality. The state of São Paulo also has a great competitive advantage thanks to its infrastructure in the form of roads and a large harbour, long experience of citrus growing and a large research network. The citrus belt

is large and the climate varies between the southern and the northern part. Conditions are better in the north. There is access here to more water via rivers and ponds, as well as a warmer climate. However, the southern part has had fewer issues with diseases. The citrus belt currently employs approximately 2 000 people.

The plantation

The orange trees come to the plantation when they are a year old. The cultivation of orange trees take place in protected nurseries that are kept separate from the farms in order to reduce the risk of disease spreading. This is where the pips are planted, providing the orange tree with a robust root system.

The first oranges are harvested after about three years and the orange trees are usually at their most productive at the age of about fifteen years. It takes around eight to twelve months from bloom to harvest, depending on the type of orange that is grown. A normal sized tree produces about four boxes per season and one box contains approximately 40 kilos of oranges.

Not all oranges mature at the same time, which means that the pickers must choose which oranges are ready to be picked. This requires plenty of experience, something that is important in order to produce juice of a high quality with a good flavour. The oranges are also picked by hand, and that can be tough work. The staff on

all farms we visited go through frequent training programmes and also undergo safety training. They use protective clothing and have access to mobile toilets and break rooms. They are also guaranteed a minimum wage.

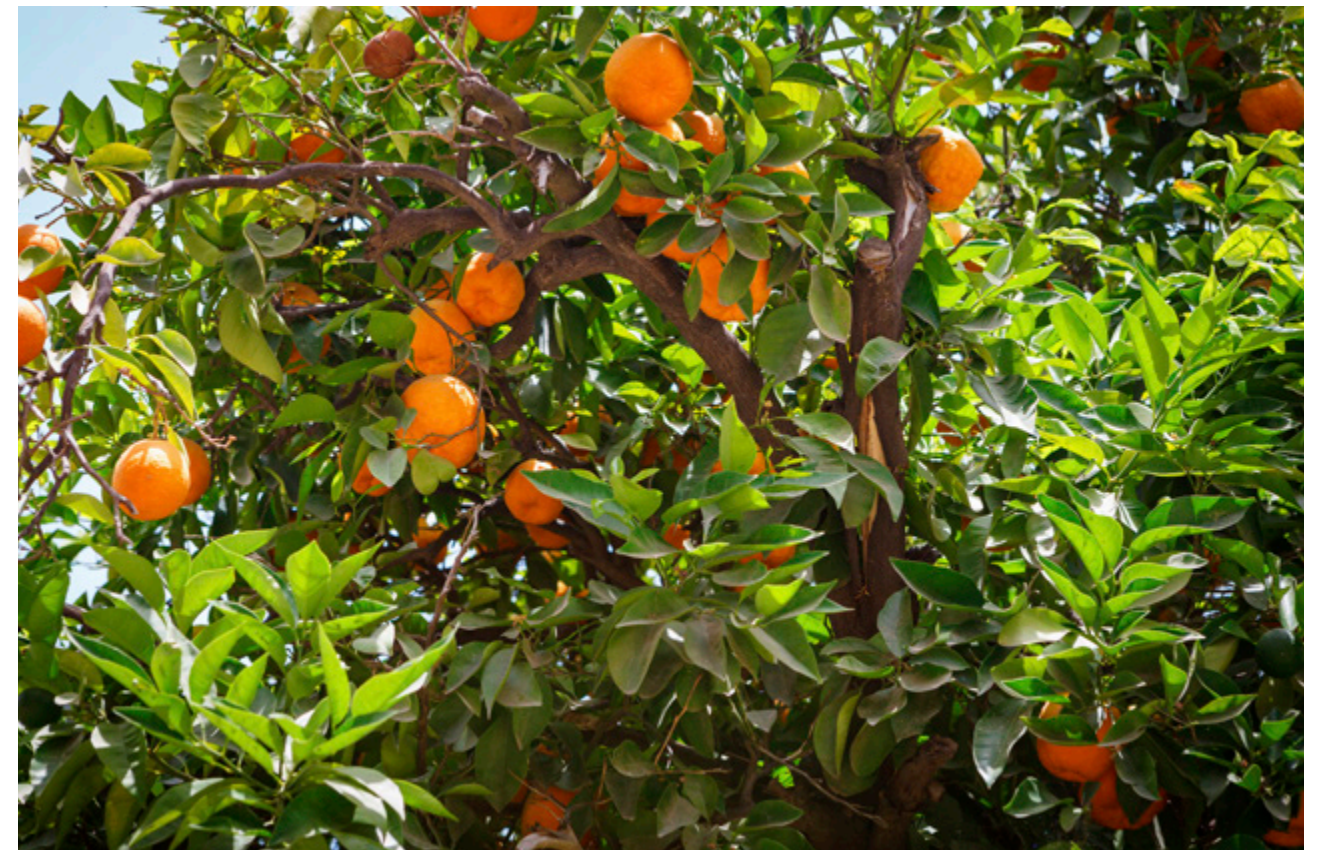
The farms we visited irrigate their plantations with water from nearby rivers and ponds. The amount of water that may be used is regulated by law. Many plantations have now invested in systems that water the roots in order to make irrigation more efficient.

Certification

Several of the plantations that supply oranges for our Bravo juice are certified by the Rainforest Alliance, and the goal for all producers we visited was to increase the proportion of certified farms in 2019. The criteria for gaining certification are tough and require an effective planning and management system. Inspections are conducted regularly in order to ensure that the plantation is preserving biodiversity and is run in a way that protects the soil and watercourses at the same time as looking after the long-term interests of employees.



A BREAK IN THE SHADE ON ONE OF THE PLANTATIONS



Citrus Greening

The tropical environment where oranges are grown is not only favourable for oranges, but also for many different types of diseases. The disease that requires the most resources from the orange industry is citrus greening. It was discovered in Brazil in 2004 but originates in China, where it has devastated almost the entire production. Orange plantations in Florida have also been affected. Thanks to strict procedures, orange growers have managed to reduce the proportion of sick trees, but it remains a major problem that was discussed frequently during our visit. We saw clear evidence that many orange growers who have been severely affected by the disease have chosen to switch to sugar cane cultivation. Therefore, all farms are now offered training that gives them information about what needs to be done if a tree becomes sick. Compensation is also offered for removing affected trees. The research institute Fundecitrus plays an important role here, and the orange industry is putting a lot of effort into research in order to understand the disease.

Production

From the plantation, the oranges are transported to factories for pressing.

In order to achieve maximum quality in the end product, they are stored no more than 24 hours prior to production starting. Whole oranges are used in the process. Any material left over from the juice production has other uses including as ingredients in perfume and other food products. Water released when the orange juice is concentrated is used as process water in the factory and the peel and pips are collected during the process and pressed into pellets or orange fibre for the food industry. The pellets are used for animal feed or energy recovery. Brazilian labour legislation applies in the factories and they have structured work environment management. Waste such as paper and plastic is sorted for recycling, and chemicals that are used are labelled.

The terminal

Pasteurised orange juice concentrate is sent on trucks from the factories to the terminal in Santos. The raw material is stored here in large tanks while waiting to be sent by boat to Europe and other continents. At the terminal, it is important to safeguard the quality of the product, e.g. by keeping it at the right temperature and by keeping deliveries separate for total traceability.

The trip to Brazil gave me great insight into the work that goes into the orange juice that sits on the breakfast table. Our overall impression of the industry is that great effort is being made in terms of issues including sustainability on the basis of the resources available. Great focus is placed on research on the part of the government and industry in order to minimise diseases and achieve even more sustainable production in the future.

CHRISTINA WENNBERG, PURCHASER



Sustainability on the Farm

Skånemejerier is the Largest Dairy in Sweden that Has Farms with Third Party Certification

In order to produce milk under the best possible conditions for the cows, the farmer and nature, we have chosen to certify the quality management of all farms that supply us with milk in accordance with ISO 9001. The certification process looks at factors including bovine health, milk quality, work environment and crop production. Work relating to energy and climate issues is also taking place at the farm level. In order to strengthen our sustainability efforts on the farm, we use this certification, as well as other systems, in order to create transparency in terms of the improvements made on the farm.

The generational goal – environmental work for future generations

In Sweden the Riksdag (Swedish Parliament) has adopted the generational goal. A promise to future generations that directs the environmental work towards the recovery of ecosystems, the preservation of biodiversity and natural and cultural environments, good human health, efficient and non-toxic materials cycles, sustainable management of natural resources, efficient use of energy and sustainable consumption patterns. This is a promise made to future generations of clean air, healthy environments and rich environmental experiences.

Three essential issues linked to the generational goal need to be dealt with on farms, but we also need to manage our undertakings in line with the UN Sustainable Development Goals and our stakeholder analysis. We describe here how we are working with these goals and the risks they involve.

Goal 13 – combat climate change

We feel a great responsibility for leading the work to be done on farms in order to reduce emissions. This requires a focus on what the farmer can do, but also on what needs to happen in terms of research into how to reduce methane emissions from digestion.



The picture on the left shows how methane emissions from the cow represent 46 per cent of the greenhouse gas emissions that occur on the farm. It should be noted that methane does not behave in the same way as carbon dioxide in the atmosphere. Methane only persists in the atmosphere for about 12 years and therefore only affects the climate for a short period, while carbon dioxide, which degrades over several hundred years, has a long-term climate impact.

This means that the long-term goal for emissions of greenhouse gases does not need to be zero in order to stop global warming. Instead, we need a goal for carbon dioxide that is zero (or close to zero) and a goal for methane that entails constant but not excessive emissions. Climate impact from food also need to be looked at in relation to the climate impact of things we do not really need for survival to the same extent as we use them today, for example travel and clothes.

However, climate impact from milk, like that of all other products, needs to be reduced. Skånemejerier conducts improvement work connected to what impact the farmer can have, and we made it a goal in 2017 to increase the statistical basis for calculating the climate impact of the agricultural industry. The goal was to increase registration in "Klimatkollen" (which is conducted by the industry initiative Greppa näringen) by 30 per cent prior

to 2020. We see no increase in 2018, instead it remains at 30 per cent. We need to contribute to ensuring that more farms are given the opportunity to calculate their own climate impact. Increasing registration in Klimatkollen means that farmers are not simply registered but also receive advice and support in order to reduce their emissions. Registration is important as it leads to action plans. Energy surveys at farms have also increased from 58 to 67 per cent, as have farms' interest in biogas.



WHAT HAPPENS WITH THE REMAINING EMISSIONS FROM THE COWS?

In 2018, Skånemejerier initiated a collaboration with the Swedish University of Agricultural Sciences (SLU) in Alnarp, the objective of which is to find sustainable solutions for reducing the climate impact of agriculture through collaboration between scientists, farmers and other organisations. One of the projects we are supporting is based on research from James Cook University in Australia, where scientists have found that mixing seaweed into cattle feed can reduce the amount of methane that is created in the rumen of cows. By adding the red seaweed *Asparagopsis taxiformis*, between 50 to 70 per cent of the animals' methane emissions disappeared during a 72 day period.

In 2018, a number of Swedish seaweeds were analysed to see if there

are local variants that have the same potential to reduce the methane content when mixed into the cow's feed. A number of Swedish species with the potential to do this were identified in the project. Further tests of the seaweed and the effect of the feed have been conducted over the course of the year. Before this can be used in practice, there are challenges to be overcome, not only in terms of research concerning the method, but also in terms of how cultivation and logistics need to be revised in order to create a sustainable alternative.

In collaboration with the SLU, Skånemejerier will continue to monitor and support the work involved in finding better solutions to the climate impact of agriculture. Over the last few years, there has been increased interest in not only the impact of agriculture on the climate, but also on how it improves the climate, and many interesting research projects have been initiated. Greater understanding is needed of the requirement for research and increased knowledge about the effects of climate change on our planet, but the fact that there is so much interesting research taking place bodes well for the future.

THE IMPACT OF FEED ON THE CLIMATE, OCEANS AND BIODIVERSITY

Feed is of great significance to the environmental impact of animal production. For ruminants, the share of greenhouse gas emissions attributable to feed is lower due to the total greenhouse gas emissions being dominated by methane emissions from digestion. When it comes to feed production, this represents about 20 per cent of greenhouse gas emissions. The choice of feed is therefore of significance to the climate impact in several ways, in terms of both production and use.

Production of feed

Good feed is important for our cows' well-being, but how the feed is produced and given to the cows is also important for the environment. Locally produced feed has a lower climate impact and better monitoring of cultivation and fertilisation plans means a reduced risk of eutrophication of lakes and watercourses. Feed crops (grass, clover and leguminous plants) form a large part of Swedish cows' feed. The amount of pesticides used for this feed is low. However, chemical pesticides are used when growing cereals and the concentrates that the cows are

PROPORTIONS OF GREENHOUSE GASES FROM DIFFERENT ACTIVITIES ON THE FARM

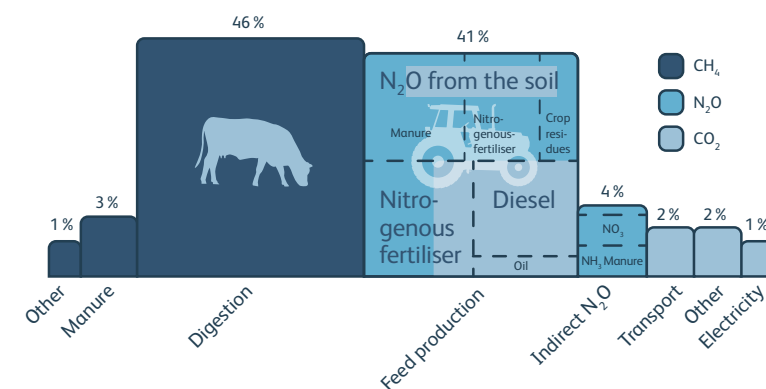


FIGURE #11 Proportions of greenhouse gases from different parts of dairy production (seen in a life-cycle perspective until the milk leaves the farm) for average Swedish milk production in 2005. The emissions are expressed as carbon dioxide equivalents per unit of milk. Each square represents the proportion of emissions contributed by the area (Source: Henriksson, Maria. Greenhouse gas emissions from Swedish milk production. Thesis, Swedish University of Agricultural Sciences, 2014).

also fed. In our farm certification process, we monitor the use of plant protection products and ensure this is done in a responsible manner.

Skånemejerier requires all farms to conduct a feed analysis each year in order to optimise the feeding of their animals. By knowing how much nutrients are in the feed and that the right amount of concentrates is used decreases the risk of unnecessary loss of plant nutrients. Through our verification requirements and monitoring of cultivation and fertilisation plans, we can ensure that manure is used in the correct manner and that the use of artificial fertiliser, nitrogen requirements and other parameters important to plant cultivation are well planned

Land and water

The properties of the soil are incredibly important when growing feed for cows. All farms that grow feed for Skånemejerier carry out soil mapping in order to ensure the soil's nutrient content, calcium status, soil type and humus content. A nutrient balance is also needed. All in order to adapt fertilisation and liming on the basis of need. No fertilisation may be conducted near watercourses and all fertilisers must be taken out to the fields in accordance with strict rules. In Sweden, we have good access to water in most places, and this is a resource we must take care of. The summer of 2018 brought a sustained heatwave that resulted in an extensive drought. This had an impact on the cultivation of feed and we got an insight into how vulnerable we are to climate change.



TOMAS LUNDGREN, CONVENTIONAL FARMER

Tomas Lundgren, conventional farmer from the farm Lundgrens Nyåkra, talks about his experiences from the drought in 2018:

Why did you become a farmer and what is your view of the future and climate change?

I grew up here on the farm and took over when I was in my 20s. I have never wanted to be anything other than a farmer. I have a positive view of the future, it's not the first time we've had a drought. You learn that there will be years when things don't work out and when it doesn't work out, you need to work on prevention and have backups.

How were you affected by the dry period last summer?

It was not really a surprise. As they say: "in forty years there are always two that are special and now we've had two years that have been extreme in either direction", so you can hope that the headlines are wrong and that we've had our forty-year period now.

But if that is not the case, how can we prepare for a possible new period of drought?

It's about planning and not constantly being at a breaking-point. There needs to be more focus on feed, self-sufficiency and collaboration.

How did you deal with feed handling and backup this summer?

We have had surplus production and stored more than we need for a number of years. This year, we have not yet started using the year's harvest and we have always thought like that.

What obstacles are there that prevent others from doing the same as you?

You need sufficient arable land or you have to cooperate. Everyone had leys back in the day as everyone had cows, pigs or chickens. This natural cycle including the animals is important. You can't just take from the land, you also need to give back. It's about finding solutions. Just growing cereals creates a monoculture, there needs to be some crop rotation.

How did the drought affect your access to water?

During the summer, the sun destroyed everything. We're not used to this heat. You can order grass varieties that withstand drought better, go deeper into the soil and can absorb more water. In general there should be more focus on access to water. You take it a bit for granted. A cow drinks more than one hundred litres of water per day. Our cereal harvest was cut in half this year and it can take several years to recover from a summer like this. Those who are not self-sufficient are particularly badly affected.

If you got to choose another profession today, what would you choose?

If I was to choose a new job, I would still always choose farmer.

IS ORGANIC FEED MORE SUSTAINABLE?

It is a constantly debated question whether organic is more sustainable in a global perspective, but it is worth knowing that organic farming give us better chances of coping with climate change.

Organic farms are surrounded by more animals and plants that increase our potential to manage flooding, drought and insect attacks, for example.

Artificial fertilisers are forbidden in organic production. Instead, careful planning is needed in which crops are varied and leguminous plants are important for adding nutrition to the soil. Neither organic nor conventional farming have solved the problems of nutrient loss, but not using artificial fertilisers is one step on the path. In

future, agriculture must use nutrients even more sparingly.

Maria and Niklas Persson, organic farmers from Karlsro Lantbruk AB, tell us more:

What does sustainability mean to you?

Sustainability is the future, both for the environment and for those who work with the financial aspects of this on the farm.

What is the best feed from the perspective of sustainability?

For us feed is the most important aspect of our sustainability efforts. Grass makes the cows healthy. The ley is good in many different ways. When you dig into a ley there is a completely different micro flora. It is the ley and the

animals that make everything work. The ley also binds nitrogen and there is lots of proteins in ley. Rapeseed and broad beans are also good feed. It's important to have energy-rich cereals. Pesticides are also an important area: less pesticides – more sustainable agriculture.

What is your view on sustainable farming?

In the past, everyone had their own fruit and vegetable patches, cows, horses and pigs. Today there is one big farm that grows carrots, another one that only has pigs, one that has cows and so on. Everything still exists, but we must not forget the natural cycle – they are depending on each other. Sustainable farming is a natural cycle and that is what we have here on the farm.



ORGANIC FARMERS MARIA AND NIKLAS PERSSON TOMAS LUNDGREN, CONVENTIONAL FARMER

What is your view on climate change and how did the heat wave this past summer affect you?

We focused on water and started thinking about irrigation. There was no crisis for us because we got some rain showers. The ley has a pretty long harvest period from May to November so we thought it'd be OK as long as it rains before October. We only lost one harvest. You must have stores. We've had a good store of straw in recent years.

How do you see the future, what do we as consumers need to understand better in terms of the future of farming and sustainable farming?

We have a positive outlook on the future, but it's a challenge for agriculture that the city and the countryside are become increasingly separate. Creating sustainable agriculture has a price that must be paid and there needs to be a greater understanding of the natural cycle and ecology.

SUSTAINABLY GROWN SOY

Soy is an important source of protein in animal feed. The proportion of soy in the feed of Swedish dairy cows is an average of two per cent. Skåne mejerier has signed the "Soy Dialogue", which requires that all the soy connected to our animal products is responsibly produced in accordance with ProTerra or RTRS (Round Table on Responsible Soy) and that its cultivation does not take place in unique natural areas such as the Atlantic Forest, the Cerrado or the Amazon rainforest. This commitment includes all subsidiaries of Skåne mejerier AB.

Demanding responsibly produced soy on our farms is one thing, but it is difficult to do the same for the animal products we import. That is why we purchase certificates that corresponds to the amount of soy these products are connected to. We receive help from Soy4Brands to do this in a good way.

Soy4Brands is an organisation that works to promote sustainable regional development in countries including Brazil, from where the majority of soy comes. The certificates and the money go to RTRS certified farms. In 2018, we have also chosen to support farms that produce GMO-free responsible soy.

The GMO-free soy is produced in the Brazilian Cerrado region and the certificates are the first that have been sold in Sweden. The sale went to Fazendas Bartira, which has been investing in agricultural development in Brazil for more than 30 years

"We continuously work to improve our agriculture in accordance with the highest standards and responsible production. We are ecstatic about our brave initiative having been affirmed and encouraged."

LUÍZ LAQUINTA, QUALITY AND SSMA DIRECTOR AT FAZENDAS BARTIRA

BIODIVERSITY

Biodiversity is crucial for the well-being of our planet and has a direct impact on our lives. The agricultural landscape of Skåne comes with a number of important ecosystem services. Ecosystem services can be defined as the production of food, feed and fibre. These services are in turn dependant on a number of supporting services such as the natural cycle of nutrients, regulation of water flows, biological control and pollination. These regulating ecosystem services are something that makes agricultural landscapes so important.

We must not forget the other ecosystem services our farms contribute, such as recreation and the interplay between agricultural landscapes and grazing cattle that provides benefits in a natural cycle that is difficult to mimic.

A SOY PLANTATION IN BRAZIL, FROM ACT COMMODITIES



According to the WWF, natural pastures on our farms is one of the environments in the Swedish agricultural landscape that is most rich in species. One square metre of natural pasture has as many species as a square metre of rainforest. Natural pastures are home to hundreds of insect species that live on dung, but also to plants and fungi we need to protect. In a natural pasture there are leguminous plants such as bitter vetch, common bird's-foot trefoil, common kidneyvetch, harebell, drug eyebright, catsfoot, breckland thyme and many more. If these are not managed satisfactorily with grazing, or haymaking and grazing, the flora and fauna that live there will disappear.

Grazing animals look after our grasslands, otherwise they would be overgrown. When the cows graze, they make room for or rare species and the values provided by a diversity of species is invaluable. Our farms cater for different types of land use and in the grassy areas between farms and plantations, conditions are created that benefit biodiversity and the pollination of other foods that is important to us such as fruit and berries.

We currently have 9 951 hectares of natural pasture on our farms. So far the focus has been on maintaining the natural pastures at the same level as in 2017, i.e. 14 per cent, but this requires more focus on the positive values of the farms and the ecosystem services this encompasses.

"Hjordnära products are KRAV labelled. That means they are 100-per cent organic, which increases the diversity of species on the farm. It also increases the level of humus in the soil, which results in a more robust system that is better able to withstand climate change."

MARIE YSBERG, BRAND MANAGER HJORDNÄRA

OUR FOCUS ON ANIMAL WELFARE

Good animal welfare is a matter of course if we are to achieve sustainable agriculture for Skånemejerier. Providing our animals with the best possible care is logical from a business perspective as we want our products to be of the highest quality. In order for cows to produce milk, they must feel well, and when the cows are happy and healthy they can also produce the correct amount of milk.

In Sweden, we have an animal protection act in place to ensure our animals are cared for and it has long been prohibited to use antibiotics for preventative purposes. We actually have the lowest use of antibiotics in the entire EU according to statistics from the European Medicines Agency, which is yet another reason to protect our Swedish dairy production.

There are many rules and regulations regarding everything that has to be done on the farm and our farmers have to ensure that their employees and the cows are looked after every day of the year. This is work that is based on commitment, presence and experience. We are incredibly proud of our skilful farmers. They are doing a fantastic job, and by having a good ability to observe and good knowledge of the animals' normal behaviour, they are able to give their cows the best possible chances of doing well. The farmers' connection to their animals help them to see and understand how their cows are feeling and what they need. Modern technology is also of great help on many farms. Most cows have a collar with a sensor that detects that the cow is getting the right feed at the right time and that they are moving around in the way they should.

A lot of our work with animal welfare is about relationships and we visit our farms frequently. Through our farm certification, we are easily able to follow up and create a good overview through both statistics and recurring review visits. Constant improvement is taking place and focuses on everything from calf survival to hoof health, infectious disease control and general well-being on our farms. Ensuring that the cows are happy both inside and outside is a constant effort, we know this. They need their feed, their water and to be cared for every day, all year around, by our dairy farmers and their employees.

Skånemejerier works together with 346 farms that have a total of 48 536 cows, 88 per cent of which are kept in loose housing.

Being kept in loose housing means that, during the housing season, the cows are kept indoors, where they are able to move around freely and choose when they want to eat or lie down. By law, all new livestock housing that is built today must be built for loose housing so this figure is also constantly increasing. The mild climate in southern Sweden means that they can stay outside longer.

"I am very proud to work at Skånemejerier. Every day we receive deliveries of excellent quality milk thanks to our dairy farmers' sustainable work with regard both their cows and the landscape"

ANNA FORSLID,
SKÅNEMEJERIER'S MILK COLLECTION
DIRECTOR & VETERINARIAN





The Farm's Role in Society



The Role of the Farm and the Origin of Our Produce

Farms play an important role in society. They are part of our cultural heritage and the contribution they provide is difficult to imitate. Our landscape is kept open and its recreational value increases. Farms create jobs in rural areas, provide us with nutritious produce and contribute to carbon sequestration and increased humus levels in the soil thanks to ley crops for feed.

In spring, our dairy farmers open up their farms to the public in order to spread information about the origins of the milk they drink, the cows' well-being, life on farms and the work that goes into every litre of milk. Skånemejerier is there, contributing through coordination and support to the farms ahead of these events.

An increasing number of consumers want to know from where and whom the milk they drink comes. Thousands of curious people visit our farmers each year, for example when the cows are released onto pasture in spring, which is very popular. In 2018, we had 31 000 visitors to our cow release events, even though some of the days brought snow

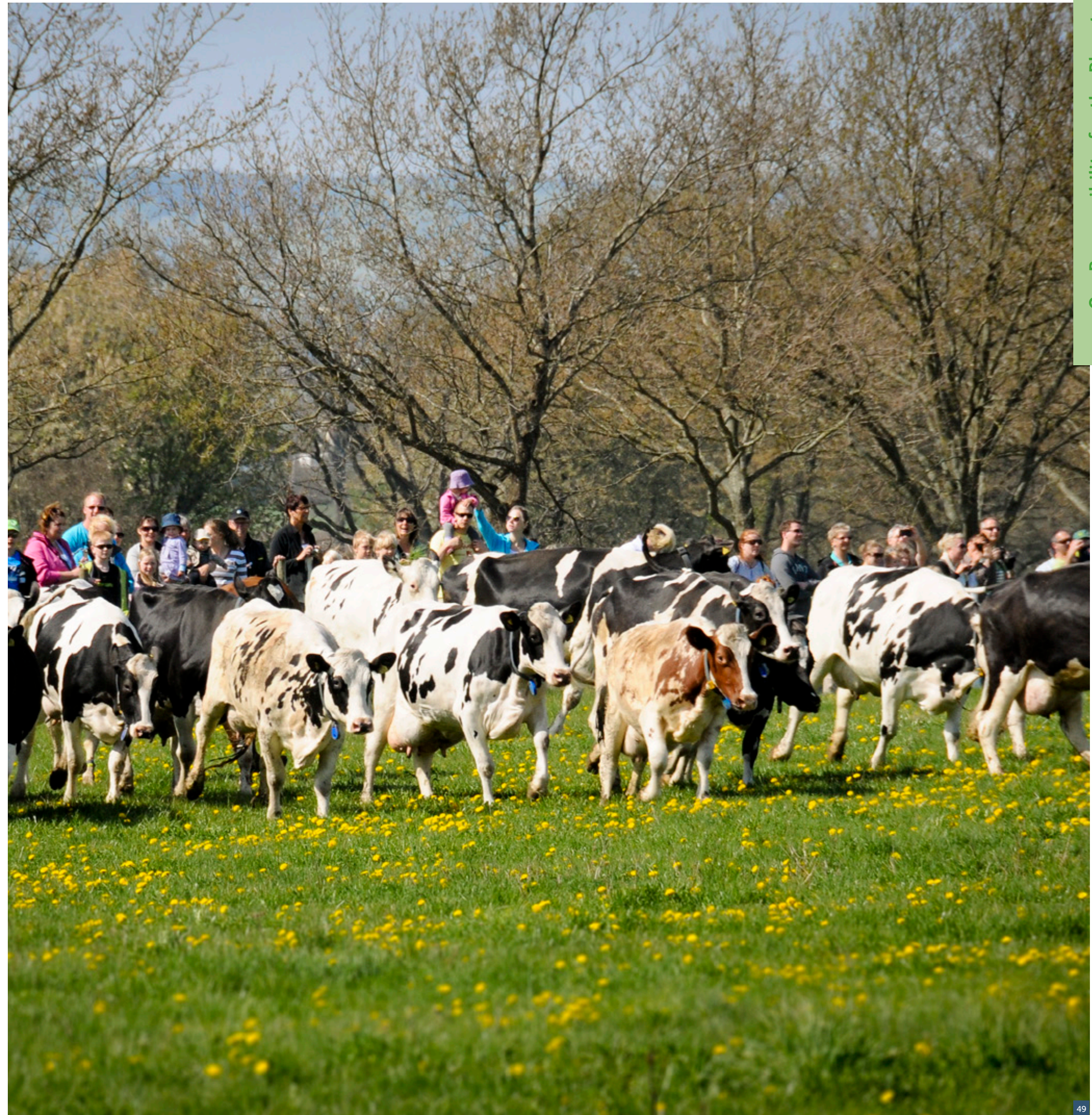


recycling cartons is consistent with *"Goal 12 Responsible Consumption and Production"*. We talked about cows, hope and love. For us at Skånemejerier, hope is a lot about maintaining the nature around us and its impact on people now and in the future. For those who were unable to visit a farm, we also filmed one of the cow releases and broadcast this live on social media. We would very much like there to be closer contact between consumers and farms so that people are aware of the origins of the products as well as their cultural and social value.



and bad weather. The theme of the year was the UN Sustainable Development Goals, with a focus on biodiversity and sustainable consumption. The children got to throw balls at *"Goal 15 Life on Land"*, which gave us an opportunity to talk to those who wanted to know more. Tetra Pak also joined us this year to show how

Farms are important for a vibrant countryside and they create development opportunities. The cows are milked daily and contribute by providing a financial flow into rural Sweden. That is why, together with our dairy farmers, we like to arrange events that build a relationship between farms and consumers. School classes can also undertake field trips to our *"visitors farms"* and some of our milk suppliers open their farms for a day under the banner *"open farm"*.





Our Responsibility for People

A Wholesome, Healthy and Prosperous Company

Employees who feel good and are happy to be at work are absolutely vital to our business. They are our most important asset and Skånemejerier's best ambassadors. We must work together to create the best possible workplace in terms of well-being, commitment, health and safety. We also look after our role in society and the people who come into contact with our business. Together, this creates the workplace culture we want to achieve.

We choose to invest in our employees' health and well-being. We want to create a work environment that our employees feel is attractive and stimulating. Skånemejerier has to work to ensure that all employees, including temporary employees, do not risk illness or ill-health as a result of their work. Going to work should be fun! A good physical, social and organisational work environment is of great importance if everyone is to feel a sense of job satisfaction and take pleasure in their work, allowing them to achieve good results as a result. This is dependent on management and employees working together on work environment issues. We think that a good work environment also benefits the business in terms of increased productivity and creativity.

Our work on work environment and rehabilitation at Skånemejerier is led by managers and coordinated by the

HR department. All employees share responsibility for creating and maintaining a healthy work environment, and that is why we encourage a continual dialogue on these issues throughout the company. The occupational health service is there to help us with this and we make active use of it. We offer lunch benefits, wellness grants, lectures on stress and health factors, as well as ergonomic reviews in both production facilities and offices. In 2018, we have also invested in exercise and physical activity by offering our employees free outdoor workouts with an instructor, as well as yoga at our premises.

We offer those who work night shifts or in a noisy environment medical check-ups, hearing examinations and workplace ergonomics training.

Risks and leadership

Our managers work together with the employees they supervise to detect

and eliminate risks in the work environment and to provide guidance and support to employees so they are able to contribute to a good work environment. Work environment management is active so that ill-health, risks, accidents and absence due to illness are prevented, and is a natural part of Skånemejerier's day-to-day operations.

The material risks we see in the company are in the physical work environment. Many of our employees work in a production environment where there is machinery and fork-lift trucks. Employees are exposed to noise and, in some cases, come into contact with chemical substances. There is sometimes also some heavy lifting, which is often an inescapable aspect of the work and cannot be eliminated. The work in our facilities is also conducted in shifts, which makes it especially important to take responsibility and ensure that shift work is allocated in the best possible way. One further risk that our employees may be exposed to is stress. This is triggered by a changing society that encourages increasingly boundless working hours and availability. We continuously train our managers to minimise the risk of ill-health at work.

Satisfied, happy and healthy employees

We endeavour to ensure that our employees feel a sense of commitment and actively choose to participate in improvement efforts in order to have a positive impact on their work environment. We conduct employee surveys every year. These are followed up at the departmental level and each team produces an action plan containing the measures they want to focus on. A total of 79 per cent of our employees chose to participate in the 2018 survey, which was conducted in November 2018.

That was an improvement on the previous year. Our managers are also trained how to continuously improve the feedback they provide on the results, the follow-up and the action plans. The goal is for all teams to produce their own action plans concerning improvements to the work environment.

The employee survey is one of many tools we use to measure how the organisation is doing, what driving forces are engaging our employees and the status of job satisfaction and loyalty. Our long-term goal is for the results of the action plans to make a positive impression on such measures as the statistics concerning absence due to illness and our employees' commitment.

The handling of absence due to illness, work adaptation and rehabilitation activities within Skånemejerier are also part of our systematic work environment management and this has to make an active contribution to ensuring that employees are not forced to cut short their working lives. By actively following up on absence due to illness, we are able to provide help and prevent ill-health at an early stage, as well as detecting those employees who are at risk of longer periods of sick leave and rehabilitation. In 2018, we have worked actively on our occupational

FIGURE #12 Training programmes completed in 2018.

TRAINING PROGRAMMES COMPLETED IN 2018

(number of participants per subject)

Dairy technology	10
Personnel	8
ICT	66
Laboratory training	14
Language	2
Utbildning i lagstiftning	16
Machinery and production line training	33
Maintenance	21
Leadership and communication	62
Marketing & PR	5
Milk collection	8
Food safety	160
Sensory analysis	90
Quality	8
Safety	79
Sales	21
Total	611

health services in order to reduce absence due to illness. We have worked more on health promotion and prevention in order to improve factors related to wellness. This has had positive results and we have reduced the total rate of absence due to illness from 4.6 to 4.0 per cent since 2016

Training

Continuous professional development and career opportunities are priorities by Skånemejerier and something we will be focusing on even more in the years ahead. Every employee is expected to have the right expertise for the job they are doing. Daily dialogues and performance appraisals enable us to pick up on our employees' continuing professional development needs. The aim is to develop our employees and thereby strengthen the company.

Together with their line manager, every employee produces a personal development plan that is based on the company's overarching goals and common values. In 2018, there has been a lot of focus on training in a secure work environment and food safety. There have also been opportunities to participate in the Lactalis Industrial Academy as well as coaching leadership.

Induction of new employees

We want to give our employees a good introduction to their new jobs and continuously invite them to induction training. This training involves our new employees being given an insight into our work with respect to the work environment, safety and health as well as comprehensive information about how our business works with sustainability and the environment. The purpose of the day is to introduce new employees to our company so that they are familiar with our safety rules, procedures and working methods. The aim is also for our employees to gain an understanding of the organisation, what the various departments do and what products we have in our portfolio.

"The aim of the induction day is to make our new employees feel welcome at Skånemejerier and to give them an understanding of how we work. They are also given an opportunity to meet their new colleagues and thereby quickly become part of the internal network. Our hope is that new recruits also gain a sense of the pride and commitment we feel and that drives our business forward."

PETRA HALLIN, HR DIRECTOR



DIVERSITY AND EQUALITY

The basic premise of our diversity policy against victimisation and discrimination is that that everyone is of equal value and shall be given the opportunity to develop in line with their own prerequisites, irrespective of gender, transgender identity or expression, ethnicity, religion or other faith, disability, sexual orientation or age. This policy is communicated to all new employees and every new employee has to confirm that they have read and understood its content and that they intend to adhere to it.

It is obvious to us that diversity enriches the company, which can be advantageous to the company and create opportunities for development. Skånemejerier does not tolerate discrimination, bullying or harassment of any kind. It is valuable to work preventively at an early stage. All forms of victimisation, harassment and discrimination must always be noted and reported to HR, which, together with the manager concerned, will immediately take action to protect and support the victim.

Gender distribution

In recent years, Skånemejerier has focused a lot on investments in production. As part of this process, we also see that better and more modern equipment decreases the physical challenges of the work. It also increases the chances that both men and women will be able to enjoy a working life that is sustainable in the long term.

Diversity project 2018 – The Way In

Over the course of 2018, Skånemejerier has been collaborating with the City of Malmö, the Swedish Public Employment Service and the diversity network MINE on the project The Way In, which is opening up the labour market to residents of Malmö who were born abroad. The aim is to increase diversity and inclusion in working life and to take advantage of the differences that



SANDHYA NAIR, HR BUSINESS PARTNER

enrich the company at all levels of the organisation if we reflect the wider community, something we are very much looking forward to!

Interview with Sandhya Nair who works in HR at Skånemejerier:

What is your role at Skånemejerier?

I work in HR and that includes everything from employment conditions to work environment and recruitment.

Why has Skånemejerier chosen to participate in The Way In and what does it involve?

The Way In is a project that was started by the EU and has been run by the City of Malmö since 2018. As one of the largest employers in Malmö, we wanted to be a part of the project and help people who are outside of the labour market to find their way in. The project primarily involves helping people aged 20 to 24 who were born outside Sweden to find their way into the labour market.

How is this done?

Over the course of a few months, the participants get to try being a part of the business and undertaking various duties in one of our departments. In this way they gain an understanding of how the Swedish labour market works and also a chance to practise the language. It really is a win-win situation; young people are given a first chance and we are able to gain a better understanding of inclusion and diversity.

What do you think is the biggest barrier currently preventing people born outside Sweden and minority groups from integrating into the labour market?

The language is definitely a barrier.

What is your view on language when it comes to labour market integration?

Language is very important as it breaks down cultural barriers. The ability to speak a language also strengthens the individual and creates opportunities for them to grow in their role in the workplace. When we recruit within Skånemejerier, we always base our selection on the critical expertise needed to succeed in the role. Language is not necessarily a critical skill for every role, but in certain roles it is mandatory because the employee is required to understand and communicate safety regulations.

What results did The Way In achieve in 2018?

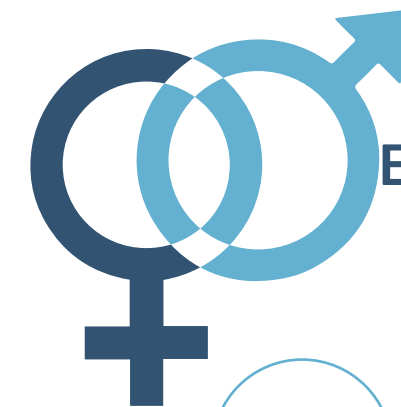
They have been very positive! We had two people who were given the opportunity to work with us here and they both worked in the warehouse where they did a fantastic job. We clearly noticed how their language skills improved and they were very helpful with simple duties. We were very happy to have them here with us and as a part of the organisation.

Would you like to do this again?

We have taken on a third person who will also be working in the warehouse and we expect the same positive results.

How can Skånemejerier prevent discrimination in relation to employment?

We advocate for unbiased recruitment, where we base the selection entirely on expertise in order to avoid any form of discrimination.

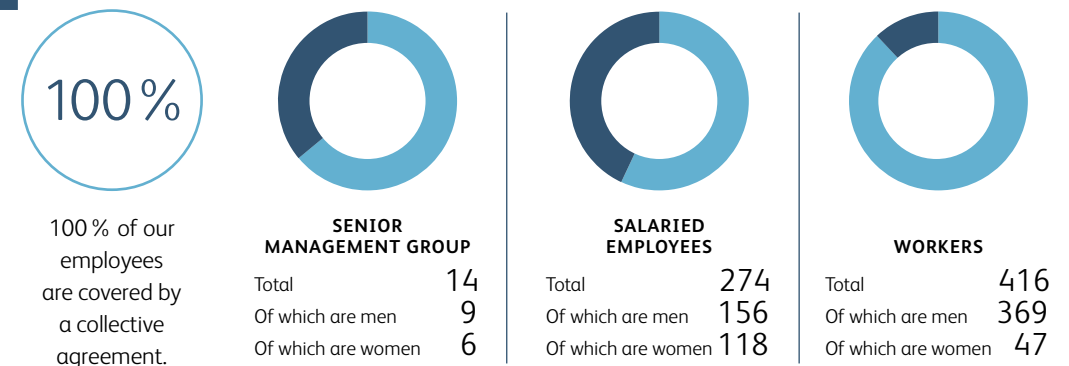


Employees
Total 647

FIGURE #13 Employees and diversity 2018.

	PERMANENT EMPLOYEES	TEMPORARY EMPLOYEES
Total	647	43
Of which are men	497	28
Of which are women	150	15

Gender distribution





Safety Culture

Skånemejerier is working to promote a strong safety culture and has zero tolerance of accidents. We put safety first and this always has the highest priority in our day-to-day work.

Work with safety is a collective responsibility and has to be integrated into our working methods, decisions and projects. It is important that everyone participates and contributes to a safe workplace.

We have a safety policy from Lactalis and a local policy for systematic work environment management that describe how operations are to be conducted through charting risks, goals for the work environment management, remedial measures and action plans, allocated responsibility, powers and resources, induction, annual follow-up of the systematic work environment management and written documentation of procedures. There is a safety committee that holds meetings every

“Everyone at Skånemejerier is responsible for achieving a safe workplace, which will result in a SAFER today, a SAFER tomorrow, a SAFER year and a SAFER career”

RICKARD VILLELL, OHS MANAGER

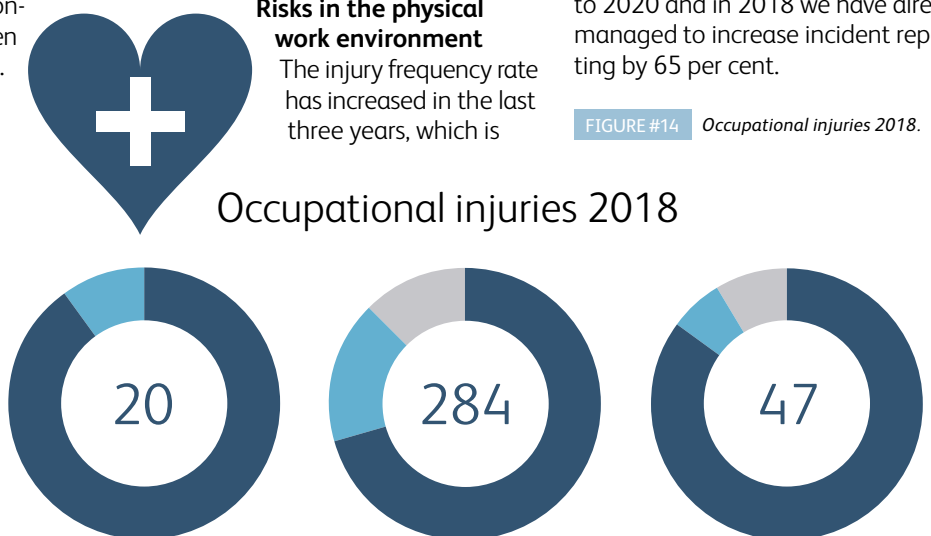
quarter at which every quarter at which safety representatives and union representatives participate. Accidents, remedial measures and other improvements that can be made to the physical work environment are discussed at these meetings.

Risks in the physical work environment

The injury frequency rate has increased in the last three years, which is

something we view as very serious. The target for lost time injury frequency rate (LTIFR) was 15.0 in 2018 and the result was 19.06. The injury frequency rate is measured as the number of accidents that result in one day of absence per million working hours. However, we can see that the severity of the injuries has been drastically reduced and we do not have injuries that require a longer absence from work to the same extent we have seen previous years. The majority of the accidents we have had in 2018 can be linked to tidiness, an issue we will place additional focus on in 2019. The target is to reach an injury frequency rate (LTIFR) of 13.5 by 2020. We have set a target for the reporting of incidents to increase by 85 per cent from 2017 to 2020 and in 2018 we have already managed to increase incident reporting by 65 per cent.

FIGURE #14 Occupational injuries 2018.



INJURIES WITH ABSENCE		REPORTED INCIDENTS		INJURIES WITHOUT ABSENCE	
Remedied	18	Remedied	40	Remedied	40
Under investigation	2	Under investigation	3	Under investigation	3
Not remedied	0	Not remedied	4	Not remedied	4

KPI Work environment Skånemejerier 2018	2017	2018	Target
Injury frequency rate (Number of injuries resulting in absence * 1 000 000 / Number of hours worked)	15.9	19.06	<15
The severity of the injuries (Number of days off sick due to occupational injury * 1000 / Number of hours worked)	0.163	0.120	0.100
Number of reported incidents	99	284	216 (0.7/employee)



Urgent Issues in Society



Skånemejerier would like to encourage better diet and health through our products, services and commitment to the community. Recycling, food waste and equality are other issues that are close to the heart of our business.

KALVINKNATET – A RACE ON THE CHILDREN'S TERMS

In addition to animal welfare, there are other issues that are particularly close to our hearts. We are happy about the enthusiasm for our products. It feels meaningful and has always been important to Skånemejerier to be close to the consumer.

Kalvinknatet is a running race where everyone is a winner. Participants get a real sense of how fun it is to be getting moving! We have been involved in Kalvinknatet for a long time and the popularity of the event just keeps growing. Children as young as two years of age can start running with a parent or a sibling.

The races are organised in around twenty locations in Skåne, Halland and Blekinge in the month of May in collaboration with Malmö Allmänna Idrottsförening and local athletics clubs. The Kalvinknatet races generate around one million SEK for these clubs' activities for children and young people.

Considering that it is a family event, we reach upwards of 90 000 people with the message about the importance of exercise. That is why it feels like this initiative has value, and we can see how the children find joy in physical activity year after year.

RECYCLING HEROES GIVE OUR MILK CARTONS NEW LIFE

In order to promote sustainable consumption and reach out to the next generation of recyclers, we have been involved in Kartongmatchen for a few years. Kartongmatchen is a project initiated by Tetra Pak in collaboration with WWF and takes place all over the country. It inspires playful information and creative competitions in order to increase the amount of drinking cartons that are collected for recycling. During the autumn of 2018, we encouraged preschools and schools to sign up for the competition with the goal of increasing young people's awareness of recycling and packaging.

A large number of excellent competition entries were sent in and we were able to name many happy winners. Kartongmatchen is an important initiative, not just for our commitment to promote sustainable consumption, but also because it gives us the opportunity to be inspired by all these recycling heroes.





LESS FOOD WASTE IN COLLABORATION WITH WHITE GUIDE GREEN

In spring 2018, we got involved in a new initiative, White Guide Green. The results were launched in 2018 as a guide to Sweden's most sustainable grocery stores. About 350 Swedish grocery stores were assessed under criteria set by WWF, White Public and Bergkvist Publishing.



As a partner in White Guide Green, Skånemejerier was given the opportunity to award a prize in a certain category. As we want to prevent food waste at all stages of the process, it was obvious to us that we would award the Grand Food Waste Prize.

whywaste

This year's award went to Coop Leksand, and we produced the prize in collaboration with Whywaste, which offered the store a one-year subscription to digital services and consultation in order to further reduce food waste in the store

Skånemejerier Storhushåll

Skånemejerier Storhushåll is the part of our business that focuses on professional users of our products. This includes everything from restaurants, cafés and hotels, hospitals and retirement homes. The range is largely the same as that which is sold through the retail grocery trade, but also includes catering-sized packaging and products that are developed specifically for the professional kitchen

Customer dialogue for sustainable development

Both private-sector and public-sector organisation are placing increasingly high demands on their suppliers' ability to demonstrate a sustainable production chain. That is why we work continuously to communicate our sustainability efforts to the catering trade. In 2018, for example, we produced the publication "Framtidens mejeri" [The dairy of the future] in order to inform the public in an accessible manner about what Skånemejerier is doing in terms of making a contribution to sustainable development.

For many food service facilities, the choice of Skånemejerier as a supplier

is not just about the quality of our products, but also that the values encapsulated by our brands can contribute to their own brand. Skånemejerier Storhushåll has a goal of being the most complete and competent partner within dairy products, which means that, in addition to our own product range, we also offer our customers added value in the form of knowledge and inspiration. By sharing our sustainability efforts, we can also influence our customers to take similar approaches.

Collaboration with Swedish culinary teams

Skånemejerier Storhushåll are proud sponsors of the Swedish National Junior Culinary Team and the regional

teams Stockholm Culinary Team, Skåne Kulinar and Culinary Team West of Sweden. This gives us the opportunity to conduct quality assurance on and develop our range in collaboration with some of the best chefs in the country. The teams, consisting of representatives of several of Sweden's most renowned restaurants, participate in international competitions such as the Culinary Olympics and Culinary World Cup – where they have won a number of medals in recent years.

The culinary teams we work with work exclusively with Swedish, organic produce, produced as locally as possible. The produce used includes cream and fermented dairy products from Skånemejerier's organic range, as well as mature cheeses from Allerum. As we do here at Skånemejerier, these culinary teams are also working actively with sustainability and to reduce food waste.



CHEF MARIA LINDBERG AND CATERING MANAGER IRENE GIDLUND GRANQVIST AT DANVIKSHEM



Sweden's most important meals

Kost & Näring is the trade association for Sweden's catering managers – a profession that is responsible for the millions of meals served in public facilities around the country at everything from preschools to retirement homes. Kost & Näring work under the slogan "For Sweden's most important meals" and its activities consist of several parts that all have the aim improving the country's catering trade and the meals provided within the public sector.

Skånemejerier Storhushåll is a gold partner of Kost & Näring, which gives us a valuable communication channel to our customers within the public sector. Through Kost & Näring, we are able to regularly meet Sweden's catering managers and engage in a close dialogue about how to improve meals within the public sector and how we can develop our range and work in these contexts.

We are also exhibitors at the annual conference Kostdagarna and provide content to the trade magazine Magasin Måltid, which is published six times a year

Protein rich for elderly care facilities and preschools

Children and the elderly require additional support and care – but they also have something else in common. It is important for both groups to eat nutritious snacks every day. Children need energy to grow and develop and to cope with being active all day. Elderly people often have a limited appetite and if they are to get sufficient nutrition, they need small but energy-rich meals spread out through the day.

Together with the specialist nurse Anne Hallbäck, we here at Skånemejerier Storhushåll have developed a concept based on simple and tasty recipes

containing protein-rich dairy products such as quark, cooking yoghurt and hard cheese. The concept is tailored for elderly care facilities and preschools and also includes internal teaching materials showing how our offer corresponds to the latest dietary advice for elderly care facilities produced by the National Food Agency.

As a part of our focus on elderly care, we are sponsoring White Guide Junior and White Guide Senior, which aim to "raise the quality of public-sector gastronomy by highlighting and spreading good examples food provided in elderly care facilities and schools in Sweden". Skånemejerier is presenting the competition category "award for best chef at an elderly care facility", which was awarded in 2018 to chef Mikael Larsen from Skogsliden in Båstad.



Our Responsibility for Production

Energy and climate

Skånemejerier works actively to improve and streamline production. Our products have to be financially sustainable, produced in an environmentally friendly manner and adapted to people’s needs. Production in dairies requires resources. That is why it is important to use the right energy source, to use energy and water more efficiently and to reduce waste and food waste .

When it comes to climate, in the last ten years we have been working to reduce our impact by shifting from fossil-fuel based to almost completely renewable production. In 2018, the target for renewable energy has been revised and currently involves a target of achieving 100 per cent renewable energy in our production facilities by 2025.

The results for 2018 showed that 97 per cent of production in our three dairies and the cheese maturation facility is

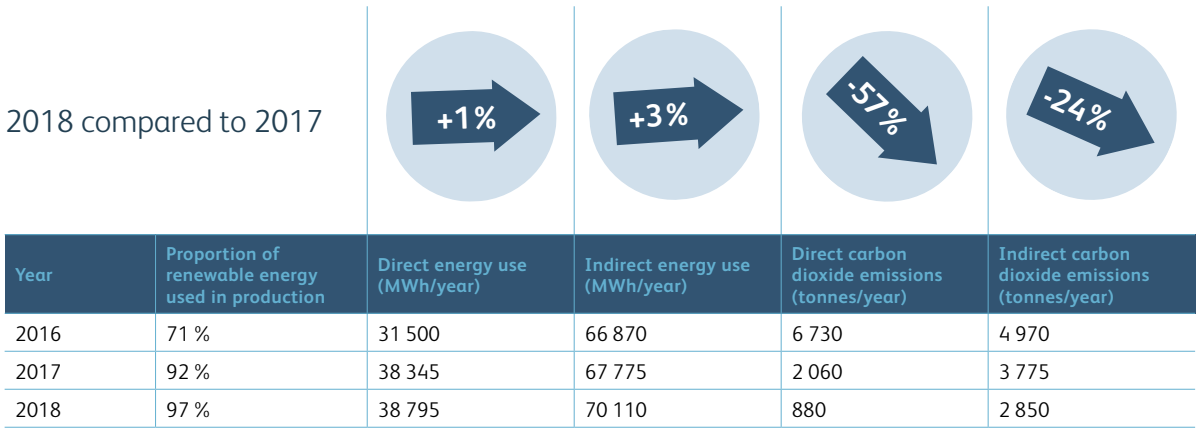
based on renewable energy. This means that direct carbon dioxide emissions from the four production facilities have been reduced from approximately 2 000 tonnes per year to approximately 900 tonnes per year between 2017 and 2018. The reduction is partly due to the dairy in Malmö switching to biogas under the Green Gas Principle* in March 2017, and three energy surveys have been conducted in 2018 – one at Malmö Mejeri AB, one at Hjordnära Mejeri AB and one at Kristianstads Ostförädling AB. The aim was to find

GREEN GAS PRINCIPLE

A biogas producer injects biogas into the network and sells it to a customer (Skånemejerier), who enters into an agreement with the producer to supply a proportion of biogas that corresponds to the amount required for that particular customer’s operations. This promotes increased use of biogas as the producer can inject biogas into a network somewhere in Sweden and sell it to a customer that extracts it from another gas network.

potential savings in terms of both electricity and heating, as well as to start by rectifying that which would pay for itself the fastest. Over the past three years, there has been both an increase in production and changes to the production process, and there is therefore a plan to produce a new measurable target for the energy efficiency process in 2019.

FIGURE #15 Energy use and carbon dioxide emissions.



Summary of Skånemejerier’s energy and climate-related results in 2018.

* Direct energy use consists of natural gas, biogas and oil.

* Indirect energy consists of electricity and district heating.

* Direct emissions (Scope 1) relate to the fuel consumption that occurs in connection with Skånemejerier’s activities.

It is also the emissions generated through heating and cooling. For Skånemejerier this applies to emissions from diesel (not transport), natural gas, biogas and oil.*

* Indirect emissions (Scope 2) relates to the emissions that occur in connection with transport that is contracted out.

For Skånemejerier this applies to emissions from transport (not company cars).



Transport and fuel

If the Swedish climate goals is to be achieved, the major challenge is a more rapid transition to fossil-free fuel. The national goal is to achieve a fossil fuel-free fleet of vehicles by 2025.

Our transport target was to achieve a 70 per cent reduction in CO₂ compared to 2010 by 2025. This target was achieved in 2018 and, at the time of writing, we have reduced CO₂ from our transport operations by 74 per cent compared to 2010.

Vehicles with fossil-free fuel are prioritised and vehicles have to be driven in a way that makes efficient use of fuel. In 2018, we have made several of our carriers to switch to HVO and we have a filling station at our Malmö dairy that we recommend our carriers use.

In Sweden, HVO fuel has emerged as a key fuel for developing a fossil-free fleet of vehicles. HVO is a synthetic diesel made of plant and animal fats – an entirely renewable fuel that, from

the user's perspective, is identical to fossil diesel and entails an almost 90 per cent reduction in carbon dioxide emissions compared to "regular" diesel. The HVO used at the Malmö dairy is also free from palm oil.

The fact that HVO has become a popular alternative to regular diesel creates a risk of limited availability. Ahead of 2025, we are focusing in making our fleet of vehicles fossil fuel-free and we will be maintaining a close partnership with our suppliers in order to ensure we have access to HVO.

As we have not put any transport contracts out to tender in 2018, we have focused on updating our transport policy, which we will include in

future procurement processes beginning in 2019. In addition, we have conducted a major analysis of our routes in 2018 in order to optimise these. The purpose of this project is to reduce our environmental impact and make our deliveries to stores as efficient as possible. We have also begun putting future transport contracts for 2018 and 2019 out to tender in order to arrive at how we are to achieve our goal in 2025.

According to our vehicle policy, all company cars must be green vehicles and our transport policy states that our transport of milk and products has to be conducted in a manner that has the minimum impact on the environment, people and nature. In order have the minimum impact, emissions from Skånemejerier's transport shall be as low as is technically and financially possible.





Water use and discharge to water

Water use and discharge to water are a material risk in our value chain. Achieving the desired results requires monitoring and investment.

Milk processing today is more resource intensive than it was a few years ago as our product portfolio is now completely different. For example, more water is needed to rinse a tank of creamy quark compared with regular milk. In addition, we imported our quark up until 2015, but as we are now making it in Sweden using Swedish milk, this naturally has an impact on our water use.

Despite of the increased strain domestically, there are many advantages to making our quark here in Sweden:

- Reduced transport of both the raw material and the finished product results in lower CO₂ emissions.

- The products are made at a facility that is powered by renewable energy in accordance with the Green Gas Principle.
- Reduced use of antibiotics.
- More job opportunities.
- Better quality control.

Skånemejerier uses the municipal water supply at Malmö Mejeri AB. The water the dairy uses is surface water from the lake Vombsjön, with a small proportion of groundwater from the Grevie water catchment. In the table below, all water is regarded as surface water.

Kristianstads Mejeri AB exclusively uses groundwater from its own groundwater catchment in the area. The small amounts of municipal

water that are purchased come from the same aquifer. Hjordnära Mejeri's municipal water comes from Lake Vättern and Kristianstads Ostförädling AB purchases municipal groundwater.

The goal is to reduce the need for fresh water further at the same time as maintaining high standards of food safety and producing what consumers are demanding. The total water use increased by 116 per cent in Malmö between 2015 and 2018. A more thorough survey of water use in Malmö is currently being conducted. Hopefully, this can lead to a more realistic target and more efficient water use. Washing optimisations are one example of how we can constantly reduce water use. For example, reducing rinsing times to only 30 seconds can, in some cases, result in major savings in total water use over the course of the year without putting quality at risk.

FIGURE #16 Water use.

YEAR	SOURCE	SURFACE WATER, M ³ /YEAR (%)	GROUNDWATER, M ³ /YEAR (%)	TOTAL (M ³ /YEAR)
2016	Municipal water and own water catchment	500 920 (51 %)	476 005 (49 %)	976 925
2017	Municipal water and own water catchment	737 880 (66 %)	374 160 (34 %)	111 2040
2018	Municipal water and own water catchment	700 005 (63 %)	417 160 (37 %)	111 7165



Discharge to water

In terms of discharges, the material risk in the production process is excessive discharge to water. All waste processing water drains to municipal sewage treatment plants where the organic components found in milk can create operational disruptions at the sewage treatment plant if they exceed a certain amount. That is why all three dairies have discharge conditions that take the form of limits for BOD7 (Biological Oxygen Demand) and COD (Chemical Oxygen Demand) in the waste water.

FIGURE #17 Sewage 2018.

FACILITY	TARGET SEWAGE VOLUME (M ³)	SEWAGE VOLUME (M ³)	RECIPIENT	BOD7 (TONNES)	PURIFICATION METHOD
Malmö Mejeri AB	799 900	578 700	Municipal water and own water catchment	890	Only pH neutralisation
Kristianstads Mejeri AB	456 000	431 755	Municipal water and own water catchment	260	Only pH neutralisation
Hjordnära Mejeri AB	40 000	40 200	Municipal water and own water catchment	60	Flotation
Kristianstads Ostförädling AB	8 760	7 560	Municipal water and own water catchment	–	–
Total	1 304 660	1 058 215	–	1 210	–

Parameters such as nitrogen and phosphorus are measured, as are heavy metals and oil, as we have an automatic vehicle washing facility. The discharges of wastewater indicate if a process is not sufficiently optimised. For example, we work every day on the fat balance in the production process at our dairies in order to ensure that as much of the raw material as possible ends up in the cartons and not in the waste water. The dairies in Malmö and Kristianstad measure discharges continuously with the aid of optical measurement tools. In 2019, the Hjordnära Mejeri will also get a similar measurement tool.

It is inevitable that dairies will discharge milk and whey residues because any equipment that has been in contact with food is cleaned daily. Most of the rinsing water that contains milk residue is collected as feed milk and becomes animal feed or biogas that we use ourselves as process heat. When it is im-

possible to collect more milk in the water, the rest is rinsed into the drain via neutralisation tanks where the pH level is adjusted with lye or acid so that it does not cause damage to the pipe network.

In 2016, a new sewage treatment plant at Hjordnära Mejeri came into service as the production and discharge of oxygen consuming substances (BOD7) had increased. This removes fat and protein from the wastewater before it goes to the municipal sewage treatment plant.



In 2018, new processing equipment was installed at Malmö Mejeri AB. Once this is optimised, this should lead to reduced discharge into the drain. Malmö Mejeri AB has also built a sewage treatment plant that is expected to be operational in spring 2019, when Malmö Mejeri AB's new environmental permit has been approved. The sewage treatment plant has been installed in order to deal with the increased discharge resulting from the expansion in production in 2015–2016.

Management of surface runoff is also something that has been reviewed a little more thoroughly ahead of the Malmö dairy's new environmental permit. Large volumes of rain can cause problems with flooding, something that may be very costly. That is why the management of surface runoff has become an issue in recent years. The goal is for as much of the runoff water as possible to be filtered into

the ground, not led into the surface runoff system. New buildings are therefore often equipped with green roofs (sedum roofs) that delay and reduce runoff at the same time as it insulating the roof, which reduces heating costs.

The Malmö dairy now has 3 600 square metres of sedum roof. Green roofs also have additional advantages, including UV protection for the roof and providing a habitat for insects and pollinators.

In order to minimise the risk of oil spills from vehicles in the courtyard into the surface runoff system, there are also surface runoff filters (that are changed regularly) spread out in about sixty storm drains in the area. There are also a number of rubber mats that can be placed over the storm drains in the event of an accident.



Reduce and prevent unnecessary
food waste and waste

Reduced waste and food waste

It is important to include the entire value chain in the planning process when reducing the amounts of waste and food waste as the waste is produced in several different places. It is best prevented if all concerned stakeholders collaborate with one single focus – preventing waste and food waste.

In 2018, there has been a lot of focus on food waste and there was a new Swedish action plan called “Fler gör mer” [More people do more] which describes 42 ways of reducing food waste by 2030.

It has also been identified as one of our most important issues at Skåne-mejerier and we are currently working on the issue in line with the food waste hierarchy.

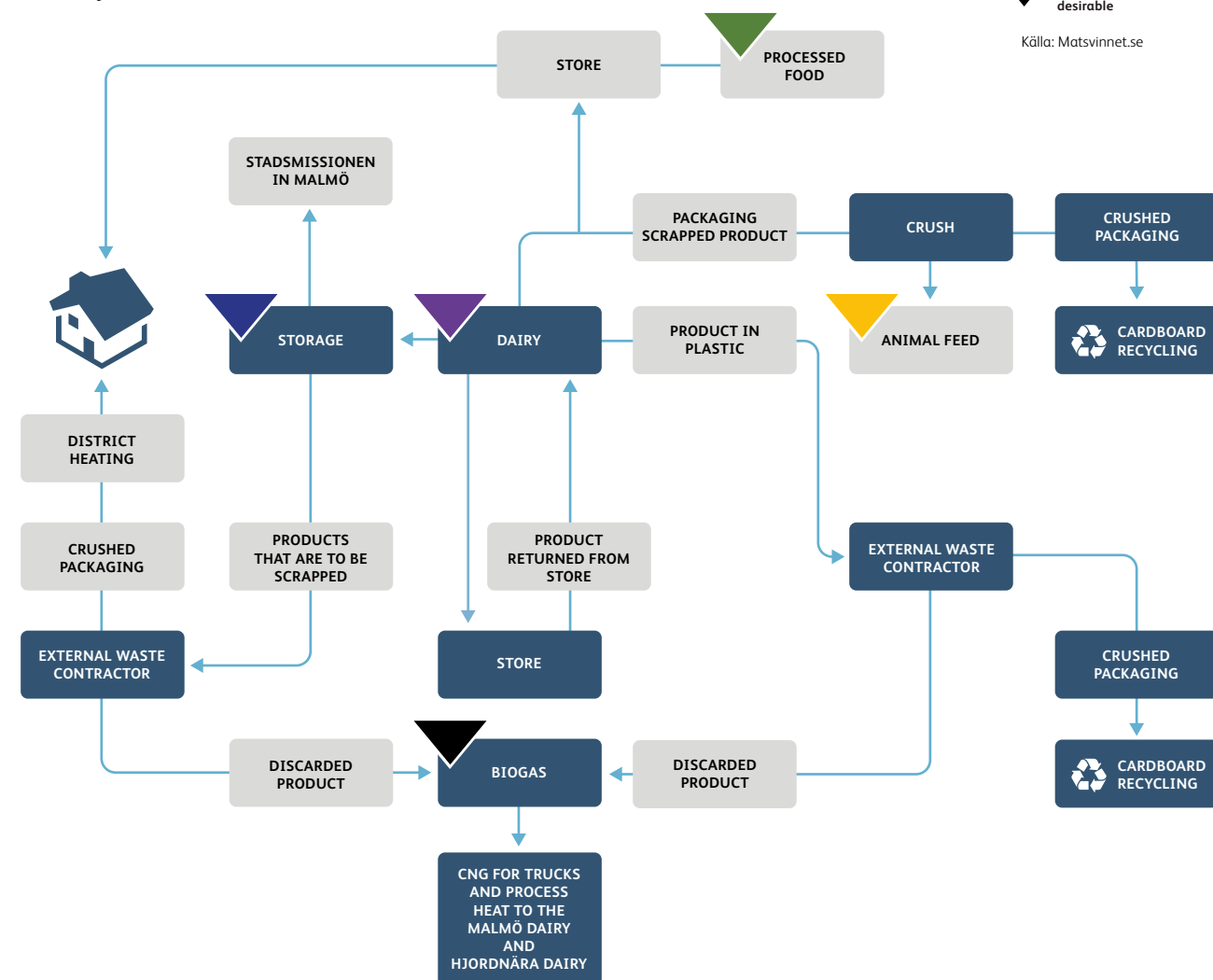


FIGURE #18 Prevention of food waste in production.

PREVENTION IN PRODUCTION

Preventing food waste comes naturally as the components of milk are valuable and important nutrients and resources we want to make use of. We continuously check the risk of product spills in order to chart potential losses and produce action plans.

We also prevent this by rebuilding, and by using smaller diameter pipes, shorter pipes and gravity. We also try to make our consumers aware that the best before date is not an expiration date if the product is handled correctly. The best before date is set on the basis of a presumption that the milk is being stored at a maximum temperature of 8 degrees Celsius, but if products are stored at a lower temperature, their shelf life is extended. It is therefore important that consumers use their senses to assess whether or not an expired product should be consumed so that they do not throw out food that is perfectly fine.

PROCESS FOR PEOPLE

Process for people is second from the top of the food waste hierarchy and is an important factor in preventing food waste. Feed milk is a waste product created when filling and washing out the tanks in between production cycles. Using non-fermented feed milk for sour milk or yoghurt is a great way to ensure we reduce environmental impact and utilise as much of the raw material as we can. Left over skimmed milk is transported from Malmö to Kristianstad, concentrated by evaporation and exported as condensed milk.

DONATE TO PEOPLE

We follow up on scrapped products that never reach the stores, which are products that are scrapped due to an expired best before date. We also follow up on products that are sold at a discount and have key ratios for these that also includes follow-up of reasons for rejection on a weekly basis. For the full year 2018, we have achieved a reduction compared to 2017 in scrapped products of 645 tonnes (i.e. 70 per cent) and products sold at a discount have been reduced by 215 tonnes (i.e. 32 per cent). We have centralised the planning department in order to standardise working methods and tools, which has resulted in improved oversight and opportunities for improvement in close collaboration between various parts of the business: forecasting, supply planning and scheduling of production.

In order to reduce our waste and create greater value from our surplus products, in 2018, we have started a collaboration with the homeless charity Stadsmissionen. This means that they receive deliveries twice a week of surplus products that would otherwise have been thrown away. The products go to a homeless shelter in central Malmö that receives around 150 guests every day and serves a free



breakfast, subsidised lunches as well as coffee and snacks. Skåne-mejerier also tries to promote the issue of food waste among customers, which has involved, among other things, producing brochures that help the catering trade make simple dishes adapted to our packaging sizes.

“There is a huge need for food and we have not seen the end yet. We do not throw anything that has been donated, instead we always ensure that the food is handled in the correct way. High-quality products are really appreciated as people who come to us need well-prepared, nutritious food and we are not stingy with the cream. That is why it is especially great to get products from Skåne-mejerier, which we feel signify a high quality and nutritious brand.”

CHRISTIAN ENEHOV,
HEAD CHEF AT CAFÉ DAVID



CHRISTIAN ENEHOV, CAFÉ DAVID

ANIMAL FEED

Whey is a by-product of the cheese and quark-making process. Whey from the Malmö dairy is used as animal feed, but could also be filtered and used as whey protein powder. We already do this in Kristianstad, where they whey from cheese production is concentrated by evaporating the water. This also reduces the unnecessary transport of water.

BIOGAS

Products in packaging returned to us from stores, as well as cheese crumbs that are produced when hard cheese is cut into pieces are used for biogas production. Fat from grease traps at our facilities is also used to make biogas.

Two of Skånemejerier's facilities are run entirely or partially on biogas. The Malmö dairy with the help of the Green Gas Principle and in Hjo, the gas

is produced from manure from a nearby dairy farm and scrapped products and sludge from the dairy's sewage treatment works. Previously, a number of our distribution vehicles were run on a 50/50 mix of biogas/natural gas. That filling station has now been scrapped and HVO (hydrogenated vegetable oil) is being used exclusively.

Internal waste management

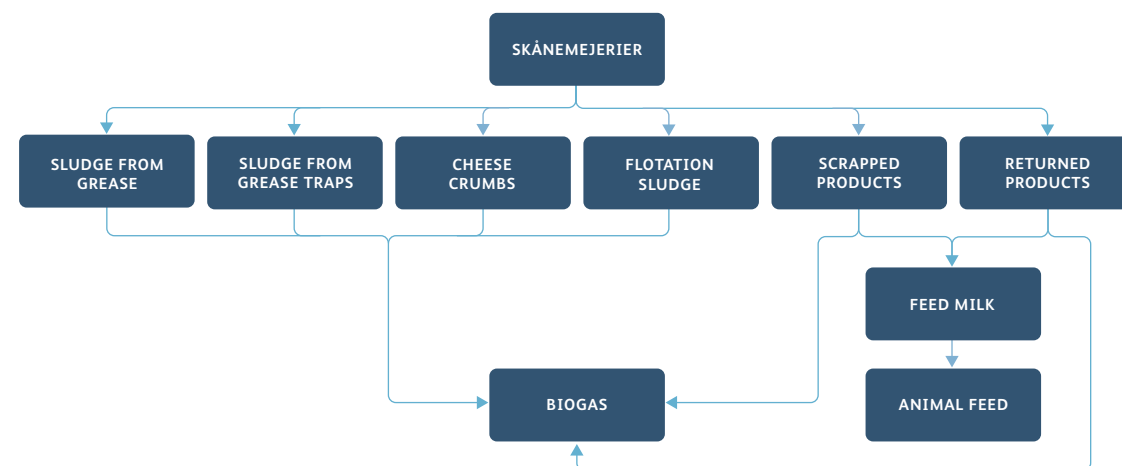
All waste entails broken cycles and Skånemejerier is continually working to reduce the amount of waste that is not recycled. A larger dairy generates over forty waste fractions.

Waste monitoring rounds, optimisation, information and harmonised labelling of vessels has led to improved waste management at the dairies. The target is to reduce combustible waste by 50 per cent in relation to cardboard, packaging, hard plastic and soft plastic

by 2020, when compared to the figures for 2014. In 2018, the 50 per cent limit was surpassed for Malmö Mejeri AB as the outcome was fully 58 per cent. It has been more than 15 years since such small amounts of combustible waste were produced at the dairy. Improvements are also ongoing at Kristianstads Mejeri AB, which will hopefully lead to the dairy getting closer to the target that has been set. The reduction has been a modest six per cent compared to 2014.

During a senior management meeting at the end of 2018, it was decided that the waste target and the proportion of combustible waste will also be followed up at Hjordnära Mejeri and the cheese maturation facility in 2019.

FIGURE #19 The flow of organic waste material from Skånemejerier and stores that goes to either biogas production or animal feed.



"DIPS" – A GREAT WAY TO GIVE LEFTOVERS A NEW LIFE

Better packaging – lower environmental impact

Packaging is there to store our food and contribute to a better life for many people. At the same time, packaging creates big problems for our environment, not least for our oceans. Every year, around eight million tonnes of plastic ends up in the oceans and a large proportion of this is packaging. It is estimated that there will be more plastic than fish in the oceans by 2050 and it is important to find better packaging will a lower environmental impact

In 2018, there has been a positive development at the EU level in that a decision has been made concerning a directive that prohibits some of the most common single-use plastic items in order to reduce the waste that ends up in our oceans. The FMCG retail industry in Sweden has, in line with this, set a target for there to be only recyclable packaging in stores by 2022 and for there to be 100 per cent renewable packaging by 2030.

As is the case for all other suppliers, Skånemejerier must adapt its packaging in line with these targets, and in 2018, we have renewed our focus on packaging development and our efforts in this respect include collecting statistics on all packaging and updating our packaging policy. The updates have strengthened the focus on our targets of achieving 100 per cent renewable packaging, increasing recycling and limiting contaminants that may be released during incineration.

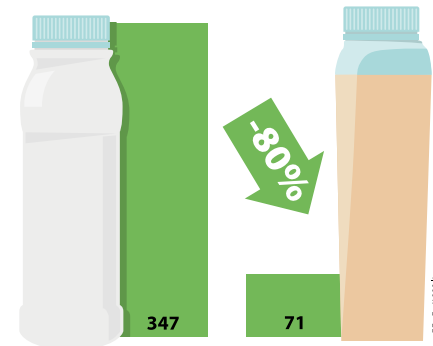
Achieving a higher proportion of renewable materials, recyclable materials and packaging that is easy to transport, handle and recycle requires both investments and further packaging development on the part of our suppliers.

At the moment, our proportion of renewable and recyclable packaging can be seen in the figure on the right. We are continuously working to increase the proportion of renewable and recyclable packaging.

Circular economy is a term that involves large parts of our society, and Skånemejerier has been basing its work on the circular model for many years. Within the world of packaging, circular economy means that materials are recycled and reused and a constant effort to achieve as high a level of recycling as possible in order to become part of the circular economy.

An analysis conducted by IVL Swedish Environmental Research Institute in 2014 shows that the level of recycling plays a bigger part in the environmental impact of a carton than the packaging material itself. The recycled material that is used to make new packaging reduces the use of both raw materials and energy.

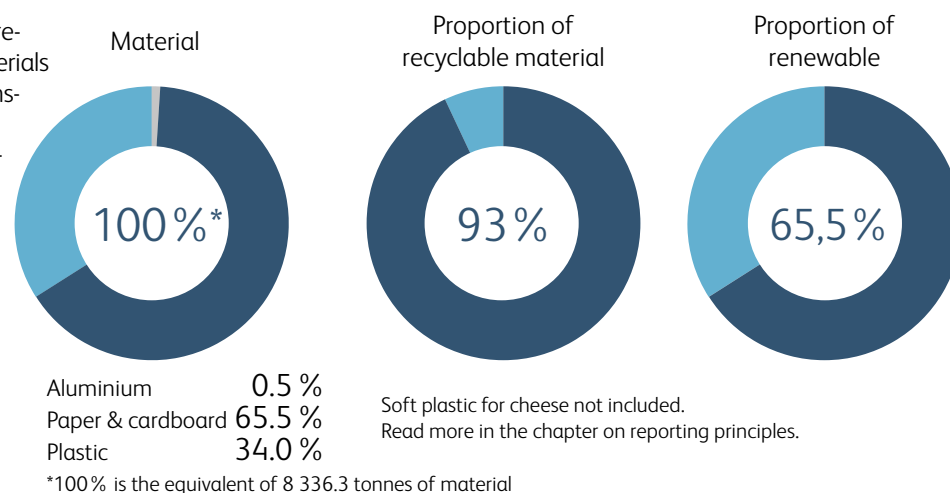
We collaborate with our packaging suppliers and FTI (Förpacknings- och



Choose a "to go" product in a cardboard carton instead of in a plastic bottle and reduce your CO₂ impact.

tidningsinsamlingen) in order to understand what materials should be used and ensure that new packaging that is developed is as recyclable as possible. We use life cycle analyses to assess the difference in environmental impact between different types of packaging and find potential improvements, and an increasing number of good packaging options are cropping up. Among other things, there is a lot happening with regard to the environmental impact of PET bottles, and you see more and more PET bottles that partially consist of recycled plastic. It is also positive to see that Swedish consumers are very good at recycling.

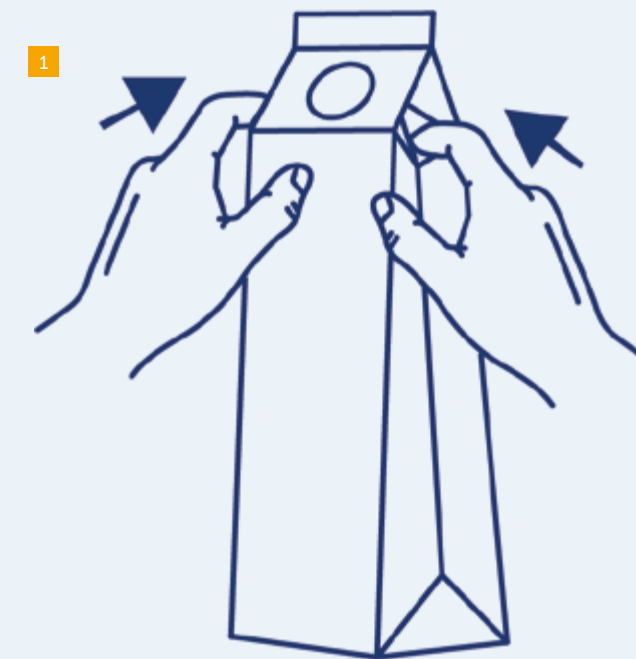
FIGURE #20 The proportion of recyclable and renewable packaging.



How can we reduce food waste together?

Did you know that, in Sweden alone, we pour 224 000 tonnes of food and drink down the drain each year and 25 per cent of that is dairy products that are often completely edible and drinkable?

Here is a little tip for how you can reduce food waste.



Smell, look and taste before you throw away food. Dairy products often last longer than their best before date. Trust your senses!

Keep dairy products cool. One rule of thumb is that every degree colder than 8 degrees Celsius extends the shelf life by one day.

Freeze things that have begun to get a bit old. You can freeze butter, cheese and cream.

Fold the packaging carefully to get the last drops out of it. It also takes up less space in the recycling.



WHAT HAS BEEN DONE SO FAR?

The larger part of our food packaging is recyclable and all cardboard packaging is made using FSC* certified raw material. Pure-Pak® Sense has been developed together with one of our packaging suppliers. This is easier to fold and results in less food waste. In addition, the caps on our organic milk from Hjordnära and the Bravo two litre juice carton have been replaced with caps made from renewable raw materials. Three years ago we also launched a carton bottle that replaced the plastic bottle for our drinking yoghurt. We are working in stages to reduce the weight and thereby the CO₂ emissions caused by our plastic tubs.

WHY DO WE NOT GET RID OF THE PLASTIC CAPS?

The screw cap is an invention that came about because consumers wanted it to be easier to deal with liquid food. Unfortunately the convenience factor has taken precedence over important environmental values in terms of packaging in the last dec-

ade, but as consumers are becoming increasingly aware of the environmental impact of packaging, producers have now also started think again about this. Ultimately, the reason the cap is there is to preserve the important product inside the packaging in the best possible way and because we want to meet our customers' demands.

We are currently looking into how we can take the next step towards cap-free packaging as we are well aware of the problem and are engaged in a continuous dialogue about this with concerned customers. This is a process of gradual improvement that must take into account other important factors such as food preservation and the handling of valuable products. For the time being, consumers are encouraged to recycle the packaging according to the instructions on the packaging in order to avoid plastic caps ending up in nature and putting animals and humans at risk.

In the Swedish Government Official Report "Resurs i retur" [Recycled resources], SOU 2001:102, it was estab-

lished that recycling packaging is good in environmental terms, it saves both energy and materials. If all Swedish households recycled one more piece of plastic packaging a month, carbon dioxide emissions would be reduced by 3 600 tonnes, which is equivalent to the emissions from about 1 200 petrol-driven cars each year or 675 medium-sized houses.

Plastic caps are a very small proportion of our packaging but are in fifth place in the list of biggest plastic menaces in the oceans, after fishing equipment, plastic bags and cutlery, balloons and cigarette butts. Caps on plastic bottles are so small that there is a risk of many animals in the ocean eating them. If they are washed up on land, seagulls may confuse them with food. Caps on packaging require people to recycle them and make sure that they do not end up in the environment.

* FSC, Forest Stewardship Council, is an independent, international membership organisation that encourages use of the earth's forests in a way that is environmentally sustainable, of benefit to society and financially viable through the certification system FSC.



OUR COLLABORATION WITH STÄDA SVERIGE

Skånemejerier sponsors Städa Sverige [Clean up Sweden]. Städa Sverige is the environmental organisation for Sweden's sports clubs and the most successful in the country when it comes to cleaning up in the outdoors. Over the course of thirty years, it has involved half a million children and young people from sports clubs in cleaning up various parts of the Swedish environment and in the process, they have

collected a total of two million bags of rubbish across stretches of the country with a length equivalent to nine laps around the earth. Städa Sverige has many projects including "Städning under ytan" [Cleaning under the surface], which is one of its most important environmental projects. For example, cleaning takes place by popular jetties or under city bridges, and the work is carried out by certified scuba diving associations. The Swedish coast is also cleaned every year.

In 2018, a total of 4 000 young people from more than 180 clubs participated – from Strömstad in the west and Piteå in the north, to Ystad in the south. Young people from sports clubs want to do more and they are really committed! Dangerous rubbish is picked up and, at the same time, children and young people learn more about the risks involved in throwing foreign objects away into their local environment.





Safety, health and quality

Safety, health and quality from the farm to the customer

Food safety is always the number one priority when manufacturing our products. We must all be able to feel safe in the knowledge that our products are safe to eat.

In order to guarantee this, we work consistently with HACCP*, which is a risk analysis especially designed for food handling and has been a legal requirement for many years. HACCP is based

on us being aware of the risks there are in our particular production process and for our products so that we can prevent them at all stages.

The HACCP method divides risks up into three categories:

- biohazards that may cause food poisoning, for example
- chemical risks (contaminants) such as pharmaceuticals, allergens or disinfectants
- physical risks (contaminants) such as glass and metal.

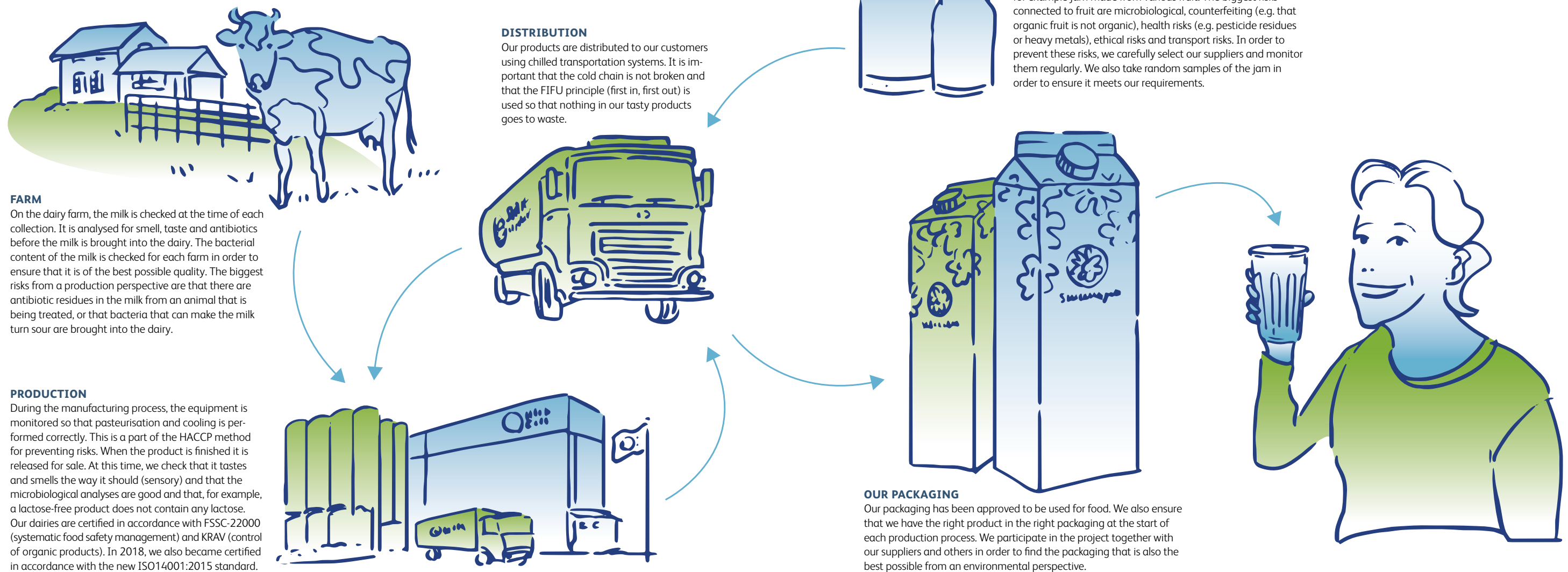
All complaints from our customers are registered and followed up in order to improve our ability to prevent risks and meet the expectations placed on our products. We investigate every complaint and in 2018, we developed a systematic working method that helps improve our ability to find the cause

of defects and make improvements in order to avoid repeating the fault. In 2018, the number of complaints decreased by 13.5 per cent compared to 2016 and we set a new target – a maximum of seven complaints per one million products sold.

**(Hazard Analysis and Critical Control Points), is a standardised working method that describes how to systematically chart, assess and control hazards in the food production process for the purpose of ensuring that food is safe for the consumer.*

FIGURE #21

How we control and inspect throughout the entire chain:



COMPLIANCE WITH LEGISLATION AND OUR CORPORATE CITIZENSHIP

Compliance with legislation is fundamental to Skånemejerier as we want to be a good corporate citizen and a reliable business partner. Good corporate citizenship also involves us wanting to minimise any difficulties our operations may result in. Our endeavours towards sustainable development involve constantly reducing our environmental impact and minimising our emissions of pollutants in accordance with the applicable legislation.

Skånemejerier's commitments in terms of responsibility and integrity as well as our products, services and partnerships, must always be compatible with the applicable rules and regulations, international declarations and conventions as well as regional and local legislation within environmental and the socioeconomic fields.

Good risk governance is a prerequisite for a business that is sustainable in the long term and creates value for us and our stakeholders. That is why we always work on dealing with our most material risks and we have a system for ongoing self-inspection. Compliance with legislation and tasks connected to this are delegated clearly within the organisation on the basis of expertise and the ability to take responsibility. Compliance with legislation is also a part of our internal audit that is evaluated on the basis of a list of legislation, which is regularly updated by Notisum. Our compliance with legislation and our management system are also reviewed by external parties when the environment and work environment agencies conduct inspections and when external auditors visit us in connection with our ISO 14001 certification. In this way, we are constantly working preventively in order to meet all expectations and requirements connected to responsible corporate citizenship.

PRODUCTION PROBLEMS IN 2018

Unfortunately, we had an incident of non-compliance at Malmö Mejeri AB in 2018. Increased production and changes to the product portfolio led to the guideline values for discharges of sewage into the municipal sewage treatment plant were exceeded. Despite implementing several measures to limit these discharges, we have not yet resolved this. The permit* and the associated terms and conditions are now adapted to current and future production volumes. In order to reduce the sewage discharges, Skånemejerier has chosen to invest in a sewage treatment plant that will begin operating shortly.

In the autumn of 2018, there was also a production problem at Kristianstad Mejeri AB when about 2 000 to 3 000 litres of curdled milk and about 2 000 litres of whey entered the drain in conjunction with programming of the process facility. This has now been remedied and reprogramming now only takes place while production is paused for cleaning.

Later in autumn, there was also an operational disruption relating to a uncontrolled discharge of approximately 6 000 litres of curdled milk that occurred when an operator had set the valves to manual mode and forgot to reset before restart. As a result of this, new procedures have been introduced that enable us to contact the municipal



sewage treatment plant quickly in the event of an operational disruption. Upon subsequent follow-up with the sewage treatment plant, it emerged that they had not experienced any problems as a result of the discharge and the dairy had no difficulties maintaining the applicable terms and conditions for discharge of BOD7, which is calculated as a monthly mean value.

The year's production problems are being taken seriously and remedial measures are defined and secured at the senior management level during the management briefing. In order to increase the relevance of the compliance, the Environmental Policy 2018 was updated with additional focus on the management system, compliance with processes, environmental awareness and responsibility.

DEVELOPMENT OF HEALTHY PRODUCTS

We want to contribute to better public health through our products. Milk is a very nutritious food that contains 18 of the 22 nutrients a person needs to consume every day. That is why we constantly try to make the most of and highlight the nutritiousness of our products.

Nutrients such as calcium and iodine are important for us, and we also enrich the products with the form of vitamin D that is easiest for the body to utilise. It has been discovered that milk and dairy products are associated with a reduced risk of some of our most common endemic diseases (type-2 diabetes, stroke and other cardiovascular diseases). When it comes to children, an study of preschool lunches shows that drinking milk with lunch safeguards children's intake of nutrients, especially when they eat little or no lunch at all.

*The environmental testing delegation approved a new environmental permit in March 2019.



According to Riksmaten 2010–2011, milk and dairy products contribute the following proportions of the nutrients Swedish people ingest through their diet:

- protein: 11 % (+7 % from cheese)
- vitamin D: 12 %
- riboflavin: 22 %
- vitamin B₁₂: 18 % (+7 % from cheese)
- folate: 9 %
- calcium: 47 % (including cheese)
- magnesium: 9 %
- selenium: 10 %
- zinc: 10 % (+6 % from cheese).

This means that milk contains more nourishment than any other drink.

INNOVATION AND DEVELOPMENT

Our innovation process always includes a risk evaluation when choosing ingredients and produce. For example, we do not use palm oil or ingredients containing trans fats in our products as research shows that they are linked to environmental and health risks, respectively.

As far as is possible, we offer alternative products that take into account ecology, fat content, sugar content and lactose. For example, over the past year, we have undertaken projects for the purpose of reducing the amounts of sugar and additives in flavoured yoghurt. In connection with this, in 2019, we will be launching a flavoured yoghurt that only contains yoghurt and fruit without added sugar, sweeteners or additives.

We offer products to different target groups that contribute in one way or another to the consumer's health, e.g. for exercise or weight control, vegetarian alternatives or products that contain ingredients with functional qualities. We are also following the trend in society towards eating more fibre, fruit and vegetables instead of meat. This is something we need to delve into more and hopefully we will have something to offer the consumer at the end of 2019.

A close-up photograph of a hand placing a small wooden block with a smiley face on a wooden surface. In the background, another wooden block with a sad face is visible. The text "Focus on customer satisfaction" is overlaid on the right side of the image.

Focus on customer satisfaction

Customer satisfaction

We continue to work on customer satisfaction in order to increase our sales in the Swedish market. The demand for dairy products made of Swedish produce has increased in 2018. We met this demand with a greater focus on our lactose-free products under the brand Skånemejerier Måväl and we developed “The dairy section of the future” together with our customers.

Our customer marketing department, together with stores in Skåne and the Stockholm area, has developed the dairy section of the future. The dairy section of the future involves subdividing the range based on how the consumer chooses products with the help of clear signage. This leads to increased category development for us and increased sales for our customers.

The dairy section of the future has been developed in line with the latest technology, with brand new fridges, and it is possible to use digital communications to adapt and refine what the store wants to communicate. As sales through digital channels increase, it is important for physical stores to improve the customer experience and communicate more clearly. The dairy section of the future provides more opportunity for communication about important sustainability issues such as animal welfare and is better adapted to trends and individual desires.



CHRISTIAN BONA, KEY ACCOUNT DIRECTOR,
AND LOUISE KÖNIG

Christian Bona, Key Account Director, talks more about our work with customer satisfaction:

What is your role at Skånemejerier?

I am head of sales for a number of our national customers within the FMCG retail industry in Sweden. We work with a total of around 3 000 stores throughout the country. In Skåne, we are, for obvious reasons, the main supplier of dairy products for all grocery stores. The collaboration also consists of category management, advertising, training etc.

How do you currently work with customer satisfaction in the sales channel?

We carry out customer satisfaction surveys where we measure how satisfied our customers are with us as suppliers in stores and among central contacts. The saying “the customer is always right” is obviously right if you are to explain it holistically. It involves listening when in contact with our customers in order to understand what I as supplier can add that is of value to the collaboration.

What does sustainability connected to sales and customer contact mean to you?

For me, sustainability is a comprehensive view and corporate social responsibility that reaches further than the supplier and customer. It is an approach that takes into account the entire grocery chain and how we all need to take responsibility from farm to table.

How can we become better at working together towards a more sustainable food chain in the sales channel?

We need to train our sales staff and account managers in these important issues so that we are able to live up to customers' expectations, but also able to contribute even more in terms of improvement. More extensive collaboration is needed if we are to achieve sustainable results.

In 2018, for example, we have had a lot of focus on food waste in stores in collaboration with White Guide Green.

What do you believe is the most material risk connected to sales and sustainability?

We must not forget that there is a clear link between sustainability and value creation in the relationships we have with our customers. At the same time, consumers must also understand and learn that quality costs. The future will not be “cheap”. The risk for our business is that we make investments in products that do not end up on the shelves and also that the products do not become popular among consumers.

How are you working with this risk?

We are constantly working to explain the value of our products and the work that goes into them.

In your opinion, what does Skånemejerier stand for?

Swedishness, locally produced, quality, sustainability and animal welfare.

If you were to swap jobs with someone at Skånemejerier for a day, who would it be?

It has always been my dream to be a farmer so if I got the opportunity, that would be my first choice.



A close-up photograph of a young girl with curly blonde hair and blue eyes. She is holding a clear glass of milk in her right hand. There is a smudge of white milk on her chin. The background is a bright, out-of-focus window with greenery visible outside. The text "Reporting Principles" is overlaid on the right side of the image.

Reporting Principles

Reporting Principles

This report has been inspired by the GRI Standards: Core Level with the goal of creating better structure and comparable content with other companies and industries. The goal is to report in accordance with GRI Core Level by 2020. The information and the process for defining the content of the reporting have been reviewed by Enact and Aspekta (materiality assessment). The sustainability report is established in accordance with the guidelines for sustainability reporting in the Swedish Annual Accounts Act and has been audited by Ernst & Young.

The reporting encompasses the sales units described in the chapter “Our Organisation and Our Brands” and the activities that are of significance directly and indirectly from a sustainability perspective. Including the supplier channel.

The sustainability report is summarised annually and the sustainability report 2018 was launched in August 2018 and will in future be launched in April of the following year.

Our reporting is approved at the group level in conjunction with the annual report. This process takes place a bit later than share-held operations. In order for us to be able to report our sustainability efforts a bit earlier we have therefore chosen to report certain figures based on marginal estimates; these figures are marked with an asterisk.

Data collection and calculation methods
Reporting of sustainability data takes place annually and Skånemejerier works continuously to document procedures for the collection, control and verification of data.

Sustainability data has been collected centrally by the corporate sustainability manager. Reporting is carried out by experts from different parts of the value chain. Environment-related parameters are calculated by the environmental manager and other departmental and production managers.

The figures representing sales and personnel are taken from the personnel and financial systems, respectively. Parameters representing improvement efforts on farms can be found in Skånemejerier’s ISO 9001 farm certification system.

When it comes to emissions from transport, data has been gathered from various carriers and are reported as WTW (Well To Wheel), i.e. from the source to use. The entire life cycle of the fuel is included in the calculation.

The injury frequency rate and absence due to illness are calculated according to the norm. The number of accidents that result in more than one day of absence per one million hours worked and absence due to illness/total number of work hours* 100.

Changes since the previous reporting period
The data used as a basis for calculating CO₂ in the production process and water use was reconfigured in 2018 so that it is linked to tonnes of collected raw material instead of collected milk. The reporting principle for CO₂ emissions from district heating and steam has been changed from previous years. We have changed from reporting 2.6 kg CO₂e/MWh between 2010 and 2017, to reporting 0.33 kg CO₂e/MWh for 2018.

According to the energy supplier, the proportion of renewable energy used in production was 99.9 % and the emissions distributed equally between

heating/electricity are 0.33 kg carbon dioxide/MWh.

For Kristianstads Mejeri AB and Kristianstads Ostförädling AB, this has resulted in the CO₂ emissions from district heating having decreased by approximately 85 per cent in a year. For all four facilities, this entails a reduction in emissions from production of about five per cent with the new recalculation factor. Our reporting of the increased energy efficiency has required a re-evaluation, as production has expanded a lot and the types of products have also changed since the last target was set. A new target will be defined in 2019.

New statistics
Figures connected to packaging material have been added in 2018 and are based on a common template that packaging suppliers fill out and report to Skånemejerier. The statistics are collected by the purchasing department. We are still missing statistics from some of our suppliers of soft plastic packaging for our cheeses. This is roughly the equivalent of three to four per cent of the total packaging weight and it is unclear how this amount may affect the outcome.

The comparability principle
It is primarily energy efficiency that needs to be reviewed in connection with changed reporting principles as production is different today than what it was a few years ago. New key ratios for energy efficiency will be set in 2019.

Financial reporting
According to the reporting principles, the organisation shall describe how economy, environment and social issues relate to its long-term strategy. This area will be further developed in 2019.

GRI INDEX

DISCLOSURE	PAGE	COMPLETED	PARTIALLY COMPLETED	COMMENT
General disclosures: GRI 102				
1. ORGANISATIONAL PROFILE				
102-1: Name of the organisation	page 10	●		
102-2: Activities, brands, products, and services	page 12	●		
102-3: Location of headquarters	page 10	●		
102-4: Location of operations	page 14	●		
102-5: Ownership and legal form	page 28	●		
102-6: Markets served	page 14	●		
102-7: Scale of the organisation	page 10	●		
102-8: Information on employees and other workers	page 50–52	●		
102-9: Supply chain	page 24–27	●		
102-10: Material changes regarding organisation and supply chain		●		No changes to the company’s geographic location, structure, ownership or supply chain in 2018. In 2017 we started a collaboration with AMC in the Netherlands that produces smoothies. They also produce the smoothie bottle that was launched in autumn 2018.
102-11: Precautionary principle	page 98	●		The precautionary principle is adhered to by preventative processes and is integrated in policy documents in the form of principles for product development, an environmental policy and a packaging policy.
102-12: External initiatives on sustainability that the organisation supports/is encompassed		●		UN Sustainable Development Goals, UN Global Compact, ILO, IDA, the Soy Dialogue, the action plan Fler gör mer, SAMMA, Plastinitiativet, Transportinitiativet, Branschens mjölkpolicy, Hållbar livsmedelskedja, LRF:s hållbarhetsagenda.
102-13: Membership of associations		●		Partnerskap Alnarp, Education and research in dairy technology Lund University, Svenska juiceföreningen (member of AIJN), Mejeritekniskt forum Lund.
2. STRATEGY				
102-14: Statement from senior decision-maker	page 4	●		
3. ETHICS AND INTEGRITY				
102-16: Values, principles, standards, and norms of behaviour	page 17	●		
4. GOVERNANCE STRUCTURE				
102-18: Governance structure		●		
5. STAKEHOLDER ENGAGEMENT				
102-40: List of stakeholder groups	page 24	●		
102-41: Collective bargaining agreements	page 53	●		
102-42: Identifying and selecting stakeholders	page 24	●		
102-43: : Approach to stakeholder engagement	page 24–25	●		
102-44: Key topics and concerns raised	page 24–25	●		Skånemejerier’s evaluation system and follow-up of these deals with a large proportion of the issues that have been highlighted in the stakeholder analysis 2018. Specific issues and how we deal with these will be developed further in 2019.
6. REPORTING PRACTICE				
102-45: Entities included in the consolidated financial statements		●		Skånemejerier AB, Hjordnåra AB, Malmö Mejeri AB, Kristianstad Mejeri AB, Kristianstad Ostförädling AB, Lindahls Mejeriprodukter AB, Skånemejerier Storbushåll AB, Skånemejerier Försäljning AB, Svenska Ostkompaniet HB (dormant company).
102-46: Defining report content and topic boundaries	page 98	●		
102-47: List of material topics	page 53	●		
102-48: Restatements of information	page 98	●		
102-49: Changes in reporting	page 98	●		
102-50: Reporting period	page 98	●		
102-51: Date of most recent report	page 98	●		
102-52: Reporting cycle	page 98	●		
102-53: Contact point for questions regarding the report	page 3	●		
102-54: Claims of reporting in accordance with the GRI Standards	page 98		●	The 2018 sustainability report is inspired by GRI.
102-55: GRI content index	page 99–100			
102-56: External assurance	page 98		●	Skånemejerier’s sustainability report has been subject to a GRI check with the aid of Enact.

DISCLOSURE	PAGE	COMPLETED	PARTIALLY COMPLETED	COMMENT
GRI 103: Sustainability governance 2016 and Material 2016				
301-1: 301-1: Material use in weight or volume	page 84	●		Packaging with less impact on the environment identified as a material issue.
GRI 103: Sustainability governance 2016 and GRI 303: Water and effluents 2018				
303-1: Interactions with water as a shared resource	page 74–75		●	Identified as a risk area in line with the UN Sustainable Development Goals.
303-2: Management of water discharge related impacts	page 74–75		●	Identified as a risk area in line with the UN Sustainable Development Goals.
303-4: Water discharge	page 74–75		●	Identified as a risk area in line with the UN Sustainable Development Goals.
303-5: Water consumption	page 74–75		●	Resource use identified as a material issue.
GRI 103: Sustainability governance 2016 and GRI 304: Biodiversity 2016				
304-2: Significant impacts of activities, products, and services on biodiversity	page 42–44	●		Preserving biodiversity identified as a material issue.
GRI 103: Sustainability governance 2016 and GRI 305: Emissions 2016				
305-1: Direct (Scope 1) GHG emissions	page 68–70		●	Climate impact identified as a material issue.
305-2: Energy indirect (Scope 2) GHG emissions	page 68–70		●	Climate impact identified as a material issue.
GRI 103: Sustainability governance 2016 and GRI 306: Effluents and Waste 2016				
306-1: Water discharge by quality and destination	page 75	●		Identified as a risk area in line with the UN Sustainable Development Goals.
306-3: Significant spills	page 91	●		Identified as a risk area in line with the UN Sustainable Development Goals.
306-5: Water bodies affected by water discharges and/or runoff	page 75			Identified as a risk area in line with the UN Sustainable Development Goals.
GRI 103: Sustainability governance 2016 and GRI 307: Environmental Compliance 2016				
307-1: Non-compliance with environmental laws and regulations		●		Identified as a risk area in line with the guidelines of the Annual Accounts Act. No fines have been issued during the reporting period.
GRI 103: Sustainability governance 2016 and GRI 308: Supplier Environmental Assessment 2016				
308-1: New suppliers that were screened using environmental criteria	page 90		●	Identified as a material issue.
SOCIAL ISSUES				
GRI 103: Sustainability governance 2016 and GRI 403: Occupational Health and Safety 2018				
403-9 Work-related injuries	page 57	●		Not identified as a material issue but important to Skånemejerier.
GRI 103: Sustainability governance 2016 and GRI 404: Training and Education 2016				
404-2: Programmes for upgrading employee skills and transition assistance programmes	page 52–54	●		Identified as a material issue.
GRI 103: Sustainability governance 2016 and GRI 405: Diversity and Equal Opportunity 2016				
405-1: Diversity of governance bodies and employees	page 52–54			Not a material issue but relevant in connection with the guidelines of the Annual Accounts Act.
GRI 103: Sustainability governance 2016 and GRI 414: Supplier Social Assessment 2016				
414-1: New suppliers that were screened using social criteria	page 33		●	Identified as a material issue.
GRI 103: Sustainability governance 2016 and 416: Customer Health and Safety 2016				
416-2: Incidents of non-compliance concerning the health and safety impacts of products and services	page 88–89	●		Healthy products identified as a material issue. Skånemejerier has not had any incidents that had an impact on health and safety during 2018.

SENIOR MANAGEMENT GROUP 2018



JOSÉ ANTONIA LALANDA
CEO



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HR DIRECTOR



OLOV NORDGREN
SUPPLY CHAIN DIRECTOR



KHIRIM FAGER
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PURCHASE DIRECTOR



CHRISTIAN BONA
KEY ACCOUNT DIRECTOR



STIG OLESEN
INDUSTRIAL DIRECTOR



ANNA FÖRSLID
MILK COLLECTION DIRECTOR



PATRIK HAGBERG
SALES DIRECTOR FOOD SERVICE



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MANAGEMENT CONTROL DIRECTOR



ANNA OLIW
R&D MANAGER



FILIPPO DEGLI ANTONI
NORDIC CFO & NORDIC SHARED
SERVICE DIRECTOR



ANETTE GREGOW
COMMUNICATIONS DIRECTOR



CLAES ENANDER
COMMERCIAL DIRECTOR



JOHAN STENMARCK
MARKETING DIRECTOR

SUSTAINABILITY GROUP 2018

NAME	TITLE	DEPARTMENT
Anna Frey- Wulff	Corporate Sustainability Manager	Sustainability
Anna Forslid	Milk Collection Director	Milk Collection
Christina Wennberg	Purchasing	Purchasing
Eva Liv	Logistic Manager	Supply Chain
Christian Wretman	Planning Manager	Supply Chain
Anna Oliw	R&D Manager	Product development
Rickard Löfgren	R&D	Product development
Mattias Jonälven	Warehouse/Industrial	Production
Khirim Fager	Quality & Environment Manager	Quality
Fredrik Javensköld	Environmental Manager	Environment
Rickard Villell	OHS Manager	HR
Sandhya Nair	HR Partner	HR
Marie Ysberg	Brand Manager Hjordnära	Marketing
Louise Heegaard	Brand Manager Allerum	Marketing
Lisa Jalakas	Digital Manager	Marketing
Marie Willberger	Key Account Manager Commercial	Commercial
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Joakim Åkesson	Field Sales Manager	Sales FMCG retail
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Catrin Shevtzoff	KAM Public Sector	Sales Wholesale
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Skånemejerier