



Sustainability Report 2020

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A close-up photograph of a horse's face, focusing on its eye and mane. The image is overlaid with a semi-transparent blue filter. The text "DELAVAL AND SUSTAINABILITY" is written in white, uppercase letters in the upper left corner.

DELAVAL AND SUSTAINABILITY

01

This is DeLaval's sustainability report for the period 2020 in accordance with the EU directive 2014/95/EU, including its statutory sustainability report according to the requirements in the Swedish Annual Accounts Act (ÅRL). The sustainability report includes DeLaval Holding AB, corporate registration number 556258-6981, and its subsidiaries.

Business Model

We supply a comprehensive range of products and solutions to dairy farmers and other professional food producers around the world. We develop, manufacture and distribute equipment and systems for milk production and animal husbandry.

Services, aftermarket solutions, original parts, knowledge sharing and consultancy are also key aspects of our operations and offerings. We sell our products and services via certified DeLaval partners but also directly to dairy farmers.

Our vision is "We make sustainable food production possible." This means that we find ways to help our customers – dairy farmers across the globe – conduct sustainable operations.

We strive to make it possible for our customers to produce more food while reducing environmental impact and costs ensuring long-term profitability. Our products and solutions are also designed to ensure good animal welfare and provide decent working conditions on farms.

Our Take on Sustainability

We look at sustainability from three main perspectives.

As the provider of products and solutions to dairy farmers all around the world, DeLaval is in a position to help them to work towards a more sustainable future. Our goal is to provide solutions that improve the working conditions for farmers and their employees, ensure that animals are well cared for while at the same time lowering the environmental impact on farms and ensuring their long-term profitability.

At the same time, we are committed to providing a sustainable business for all of those within DeLaval and reducing our own environmental impact in line with the UN Paris Agreement on Climate Change, while ensuring decent working conditions for everyone who works with us.

Overall, we continue to look at sustainability from three main perspectives; Environment, Food and Animal Welfare, and Social and Economic.

Environment

Internally, we are committed to reducing our greenhouse gas emissions in line with the UN Paris Agreement on Climate Change. The UN Agreement requires climate neutrality by 2050 in order to prevent global temperatures rising above 1.5 degrees.

Externally, we have for many years been striving to reduce the environmental impact of every litre of milk produced. This is by far the greatest contribution we can make to achieving the UN goals on climate change. In practical terms, it means developing products and solutions that improve efficiency and milk yield on farms.

Food and Animal Welfare

Food safety is critical for all parts of the dairy value chain. We work with food safety through stringent compliance controls.

A healthy animal provides more milk, at a better quality and for more years. We provide technologies that support good animal welfare. When farmers provide good conditions, they can im-

prove the animal's health and longevity while at the same time maintaining or improving farm profitability and reducing their environmental impact.

Social and Economic

Social sustainability includes respecting and advancing human rights as they are defined by the UN. Economic sustainability is how we create long-term economic growth without negatively impacting social or environmental sustainability. Our Corporate Governance framework, including the Code of Business Conduct, guides us in this work. Through innovation we provide solutions to dairy farmers to make their lives easier and their farms more profitable whilst lowering their environmental impact.

DeLaval
sustainability
model



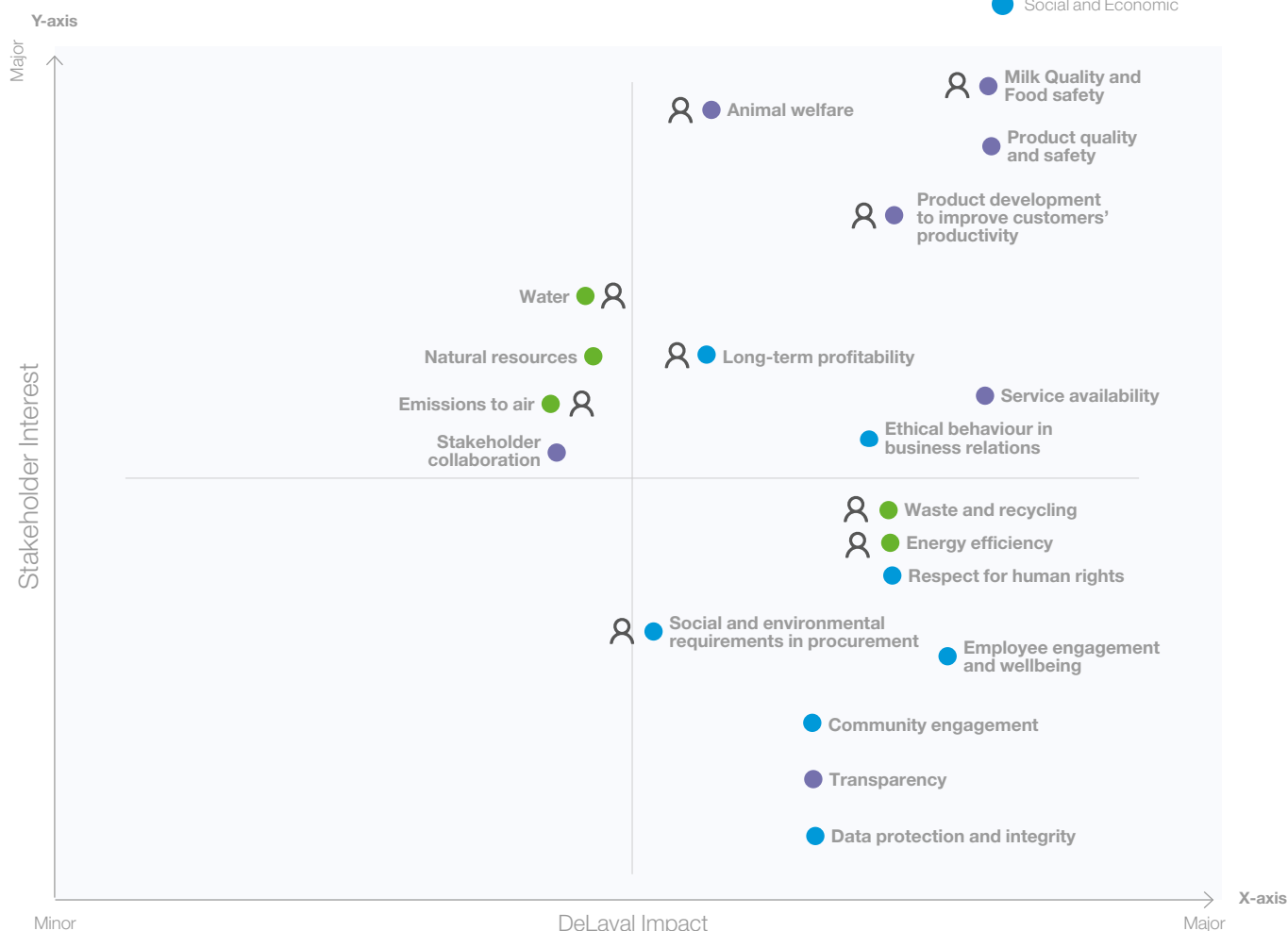
WHAT IS MATERIAL
TO US?

02



DELAVAL WHAT IS MATERIAL TO US?

- Environmental
- Food and Animal Welfare
- Social and Economic



In 2018, we conducted a number of interviews with key stakeholders in the dairy industry as well as with employees at DeLaval. We looked at what was material for both our customers' operations and our own. The external stakeholders included dairy processors, industry associations, global organisations, academic institutions, NGO's and customers. Internally, we carried out interviews with a wide audience of employees across DeLaval. In addition, we engaged in in-depth discussions in 2019 with farmers across Europe via the EDF (European Dairy Farming) organisation.

The result of these discussions showed us the main sustainability challenges facing European dairy farmers. These topics are still relevant and also applicable for customers in other parts of the world. We continue to have an ongoing dialogue with internal and external stakeholders. The topics with the symbol represent their main challenges.

Priority Areas

Based on the customer's main challenges and our own materiality index, we identified 10 key areas of priority in 2019. Each priority area is driven by a member of our Group Management.

In 2020, the owners of each priority area created working groups and have started to set goals.

The 10 priority areas are:

ENVIRONMENT

Waste and recycling

Sustainable waste management and recycling policies with a focus on our own operations.

Emissions to air

Reduction of carbon emissions throughout the value chain.

Water use

Responsible water use in both products and internal processes.

Energy efficiency

Creating the most energy efficient operations internally as well as providing solutions that help farmers reduce their energy use.

Product development

Develop products and services that increase productivity and help farmers do more with less.

FOOD AND ANIMAL WELFARE

Food safety

Meet all regulations regarding food safety to ensure milk is safe to consume.

Animal welfare

Full commitment to following the globally established 'five freedoms' of animal welfare.

SOCIAL AND ECONOMIC

Diversity and inclusion

Ensure an inclusive work environment with full diversity and where our talent thrives.

Employee engagement and wellbeing

An engaging workplace culture where employee's health and wellbeing are a priority.

Profitability

Make sure both our own operations and our customers' businesses are profitable in the long-term.

DeLaval and the United Nations Sustainable Development Goals

The United Nations has set 17 sustainable development goals as a blueprint to achieve a more sustainable future for all. These goals address the global challenges we face today covering areas such as poverty, inequality and climate change. At DeLaval, we have looked at how we can contribute to these goals based on the challenges facing our customers and our industry as seen in our materiality index. These goals, along with our materiality index and customer sustainability challenges, give us a platform to work from and help us focus on our sustainability work.

DeLaval and Key Sustainable Development Goals

At DeLaval, we believe we can have the biggest impact within the following UN sustainable development goals. Underneath each goal are the specific targets the UN has set for that goal where we believe we can contribute the most:

UN GOAL 2 – ZERO HUNGER

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.

UN GOAL 5 – GENDER EQUALITY

5.5 Ensure women's full and effective participation and equal opportunities for leadership at all levels of decision making in political, economic and public life.

5.C Adopt and strengthen sound policies and enforceable legislation for the promotion of gender equality and the empowerment of all women and girls at all levels.

UN GOAL 6 – CLEAN WATER AND SANITATION

6.4 By 2030, substantially increase water-use efficiency across all sectors and ensure sustainable withdrawals and supply of freshwater to address water scarcity and substantially reduce the number of people suffering from water scarcity.

UN GOAL 7 – AFFORDABLE AND CLEAN ENERGY

7.3 By 2030, double the global rate of improvement in energy efficiency.

UN GOAL 8 – DECENT WORK AND ECONOMIC GROWTH

8.2 Achieve higher levels of economic productivity through

diversification, technological upgrading and innovation, including through a focus on high-value added and labour-intensive sectors.

8.4 Improve progressively, through 2030, global resource efficiency in consumption and production and endeavour to decouple economic growth from environmental degradation, in accordance with the 10-year framework of programmes on sustainable consumption and production, with developed countries taking the lead.

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.

8.8 Protect labour rights and promote safe and secure working environments for all workers, including migrant workers, in particular women migrants, and those in precarious employment.

UN GOAL 12 – RESPONSIBLE CONSUMPTION AND PRODUCTION

12.4 By 2020, achieve the environmentally sound management of chemicals and all wastes throughout their life cycle, in accordance with agreed international frameworks, and significantly reduce their release to air, water and soil in order to minimise their adverse impacts on human health and the environment.

12.5 By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse.

UN GOAL 13 – CLIMATE ACTION

13.2 Integrate climate change measures into company policies, strategies and planning.

13.3 Improve education, awareness-raising and human and institutional capacity on climate change mitigation, adaptation, impact reduction and early warning.

UN GOAL 17 – PARTNERSHIPS FOR THE GOALS

17.17 Encourage and promote effective public, public-private and civil society partnerships, building on the experience and resourcing strategies of partnerships.



The goals where DeLaval can have an impact.

RISK MANAGEMENT

03

Risk Management at DeLaval is primarily related to the DeLaval business itself. Below are the risks we have seen from a sustainability point of view and based on our materiality analysis.

Environmental Topics

Risk	Risk Mitigation
TRUST FOR MILK AS A FOODSTUFF The global population is growing and the need for highly nutritious foods is increasingly important to combat global hunger. At the same time, there are growing public concerns over milk, both from an environmental and health perspective.	We work with associations and academic institutions to provide varied scientific facts regarding the nutritional value of milk.
CARBON FOOTPRINT An increasing carbon footprint is risking the environment we work in and the world at large. The dairy industry is also under pressure from consumers to reduce its carbon footprint.	Healthy cows produce more milk per day which can reduce the relative carbon footprint. This aligns with our business objectives: providing products and solutions that let farmers do more with less. Our product development teams have a list of conditions to bear in mind for every new project (see below under Environmental Sustainability). We make demands on our suppliers in this area also.
CHEMICAL SPILL AT OUR FACTORIES This would have a negative environmental impact in the local area but could also have a negative impact on DeLaval's reputation and business.	All necessary precautions are taken to avoid any chance of a chemical spill. We have full and audited environmental controls. We conform to the local legal regulations of the country where our factories are based. We use external independent experts in addition to our staff to improve procedures. We also carry out additional controls with external partners. Our facilities are designed to contain a spillage should it occur and prevent it from reaching the natural environment.
CHEMICAL HAZARDS New evidence concerning hazards with existing chemicals. New potential risks are discovered regularly regarding the use of certain chemicals in processing, whether its potential risk is for the factory operators or in the use of the final finished product.	We work with a Restricted Substances List and keep it updated by monitoring all published material identified of relevance. We comply fully to the REACH regulations.

Food and Animal Welfare Topics

Risk	Risk Mitigation
MILK QUALITY AND FOOD SAFETY Contaminated milk presents obvious risks to consumers, our customers and to our own brand. Food safety is critical for all parts of the dairy value chain.	Our compliance and R&D teams work to ensure that no hazardous or potentially hazardous materials and chemicals are used in or involved in the production of our products. We are using recognised food standards such as food grade stainless steel as specified in food contact legislation.
ANIMAL WELFARE High prevalence of production related diseases in cattle herds.	Focus on development of animal friendly solutions, availability of farm advisors and well trained staff for advice on herd-specific best solutions and support in problem solving.

Social and Economic Topics

Risk	Risk Mitigation
BREACH OF POLICY There is always a risk that our Business Code of Conduct and our policies are not adhered to.	We have a 'whistle blower' policy in place to allow staff report breaches of policy in confidence. We conduct audits and self assessments to ensure that we stick to our Corporate Governance Framework. Our Corporate Governance eLearning course is mandatory for all new employees.
EXCHANGE RATE FLUCTUATIONS These can have a major impact on the consolidated result and shareholder's equity.	Measures are taken to control and mitigate the impact of such fluctuations on contracted and projected operational cash flows, revaluation of foreign subsidiaries' net assets and cash flows related to loans and investments.
FRAUD RISKS This can be fraud in general, electronic fraud and or forgery of financial orders or of signatures on financial documents.	We mitigate this risk via our Internal Control Framework.
CORRUPT BUSINESS PRACTICES We see risks when working with suppliers but also customers operating corrupt business practices.	Our Ethics and Sustainability Principles are also used to mitigate corruption from suppliers. See Corporate Governance below – 'Supplier and distributor commitments.' Our Code of Business Conduct is used to mitigate corruption within DeLaval. See Corporate Governance below.

Risk	Risk Mitigation
FUTURE PANDEMICS	We have now established methods for securing our supply-chain operations to ensure that food production continues despite global societal lockdowns.
HEALTH AND SAFETY There is always a risk for accidents whether employees are working – In our factories and offices – On customers' farms	We have safety procedures in place at our own facilities and monitor workplace accidents carefully. We cannot control our customer's environment and operations but have established a new reporting procedure should an accident take place on the customers' premises.
CHILD LABOUR Child labour can occur across the dairy value chain.	We don't accept child labour of any sort. We cut all ties with any business partners that we know are using child labour.
GENDER DIVERSITY Our gender diversity is uneven and is a long-term risk as we are not attracting all the available talent on the market. Gender diversity is an issue for the dairy industry as a whole.	We have several measures in place to deal with the imbalance. Our HR Policy outlines how we encourage gender diversity. Several solutions that we sell make life easier for those working on farms from an ergonomic perspective eliminating the need for physical strength to carry out farm tasks.
ATTRACTING THE NEXT GENERATION There is a generation shift occurring within the dairy industry. The industry, including DeLaval, must be an attractive employer for this new generation of farmers. We already have a gender imbalance and risk missing out on recruiting the best qualified people.	We work together with various branch organisations to promote the industry. Several solutions that we sell make life easier for those working on farms from an ergonomic perspective eliminating the need for physical strength to carry out farm tasks. Our HR policy outlines how we work to create attractive working conditions at DeLaval.

ENVIRONMENTAL SUSTAINABILITY



04

How We Work with Environmental Sustainability

Our work with environmental sustainability is guided by our vision and environmental policy, local laws and by sustainability frameworks. Based on our materiality analysis we have identified the following as our most important environmental priorities.

- Water use.
- Waste and recycling.
- Emissions to air.
- Energy efficiency.

As an organisation, we are committed to achieving the goals of the UN Paris Agreement on climate change. This means ensuring that we are climate neutral by 2050. This commitment affects several of our priority areas and has led to a series of activities internally to help reduce our carbon footprint.

Our Own Operations – A Low-carbon Future

Our commitment to the UN Paris Agreement on Climate change has led to us measuring all direct and indirect emissions throughout our supply chain operations. That is, we have included scope 1, 2 and 3 of the greenhouse gas protocols in this measurement. This accounts for the vast majority of emissions in our business.

We will begin initiating additional activities in 2021 based on these results, to help reduce emissions. See results below.

Our Customers Operations

While we are committed to reducing emissions in our own operations, the biggest contribution we can have to environmental sustainability is by helping our customers on the farm.

“While we are committed to reducing emissions in our own operations, the biggest contribution we can have to environmental sustainability is by helping our customers on the farm.”

In Sweden, we are working in alliance with dairy and beef producers as well as local interest groups to develop the sustainable future of Swedish dairy and beef production. The project looks at sustainability from the broader perspective of climate action, biological diversity, increased productivity and economic sustainability for the farmer.

Within our own product development group, we are starting a project in 2021 to investigate fully where our products and solutions can contribute the most to the sustainable development of farms. At the same time, we will identify what areas are having the most negative impact. Based on the results of this project, we will then prioritise what areas to focus on. This is likely to result in a range of activities that promote the most positive impacts we have on farms and mitigate the negative ones.



Product Development

For several years, we have developed products and solutions with a series of sustainability criteria in mind and this work continues. In the earliest development phase of any product, we look at factors affecting all aspects of sustainability, as shown in the illustration above.

Many of our products have shown proven benefits in terms of increased and more efficient milk production, reduced energy consumption and improved animal welfare.

Results

We continuously release new products and solutions with specific sustainability benefits. Below are a couple of examples from 2020.

- DeLaval Herd Navigator 100 – This is a tool that supports productivity for the farmer by improving the insemination rate and reducing culling due to reproduction problems.
- DeLaval VMS™ V300 – Our flagship milking robot was improved during 2020 with an improved teat-spray function. The hit rate for spraying each teat after milking has improved, resulting in less spray being required.



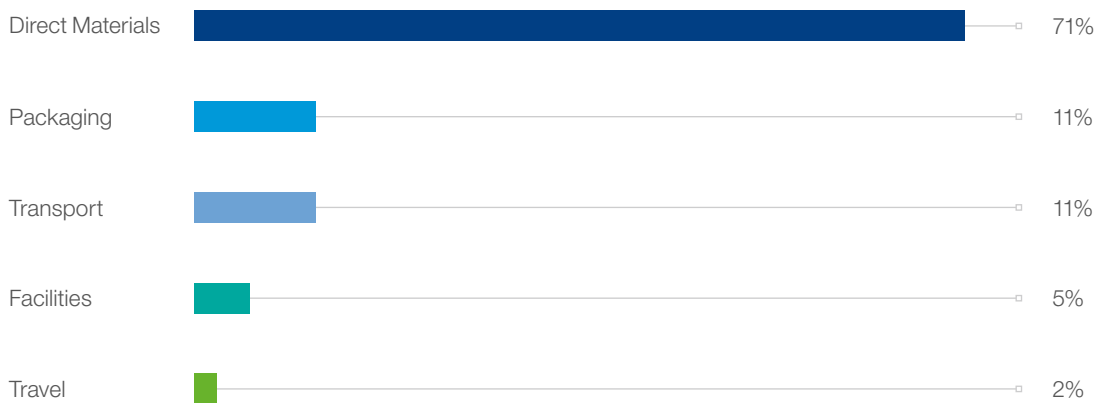
How We Measure Environmental Footprint

As mentioned above, we have measured the carbon emissions from our entire supply chain. We have set specific goals to reduce those emissions. Several activities have already been ad-

opted in place and are showing positive results. See below. In addition, we continue to measure, waste, water and energy consumption at all our factories and distribution centres.

Results

Distribution of CO_{2e} Emissions per Area



In 2020, our supply chain's estimated emissions were 234,381 tons CO_{2e}. The emissions calculations were made based on the Greenhouse Gas Protocol (GHG) Standards. This includes Scope 1,2 and 3 of the GHG protocols.

Our biggest emissions are in direct materials. Our use of metals and plastics are the areas where we emit the most. A working group was established in 2020 and has been able to find several areas where reductions can be made immediately.

The two major areas within 'Direct Materials' that are the source of most emissions are:

- Metals and plastics – all the metals and plastics that we use as raw materials in the manufacturing process of our products.
- Chemicals – used mainly in our chemical factories where we produce teat dips and other products.

Area	CO _{2e} Emissions (tonnes)
Direct Materials	165 097
Packaging	26 202
Transport	25 617
Facilities	12 672
Travel	4 793
Total Emissions	234 381

Estimated emissions per year.

Waste, Water and Energy Results

WASTE -4%

Despite much increased volumes in 2020, waste is down overall by 4%



VOCs (Volatile Organic Compounds) 10%.



22 tonnes CO_{2e} of packaging waste avoided at our Gallin distribution centre in Germany.



We have eliminated the use of plastic bubble bags in transportation.

ENERGY +1%

Energy emissions are about the same despite large production increase in 2020



Our Polish factories (Wrocław and Dobre Miasto) will only source renewable energy from wind and water from 2021.



Our factories and distribution centres are gradually switching to efficient LED lighting.



We have begun using solar lights in outside storage areas at several plants including Wrocław, Poland and Tianjin, China.

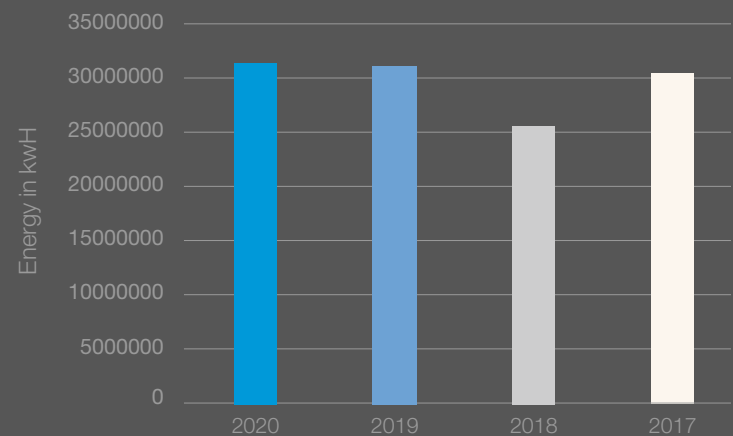
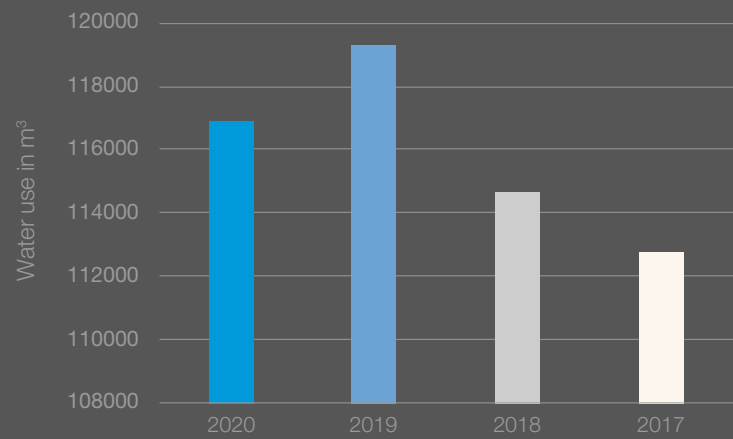
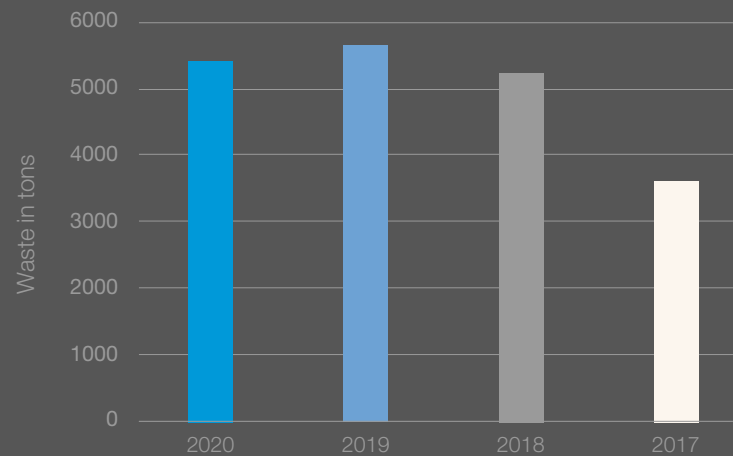
WATER -2%

Small reduction in water use despite significant increase in sales

Separating rainwater from waste-water at our Drongen chemicals plant in Belgium will create a more efficient purification process.



DELAVAL ENVIRONMENTAL SUSTAINABILITY



Please note that the figures for 2019 in this report differ from last year's figures for 2019. This is due to the fact that we discovered areas of waste, water and energy consumption that had previously been missed. These new areas were found when conducting a full audit of our supply chain emissions.

Results

WASTE

- We've reduced our use of VOCs (Volatile Organic Compounds) by 10%.
- We were able to save 22,000kg CO_{2e} of waste at our European distribution centre in Gallin, Germany, by replacing our existing corrugated packaging material. We have reduced the raw material consumption as well as found a more efficient production process of corrugated boxes.
- We started recovering metal sheets that would normally go to scrap and re-using them to make other components. Metals have been a significant source of emissions and this re-use is expected to save us 92,750 kg CO_{2e}.
- Wood, cardboard and paper usage optimisation has led to a reduction in 45,000 kg CO_{2e}.
- We have eliminated the use of plastic bubble bags in transportation.

WATER

- We have divided rainwater from wastewater at our Drongen, Belgium chemicals plant. The amount of work needed to purify rainwater is much less than wastewater.

Actions We're Taking

WASTE

- We expect to reduce our use of VOCs by another 7% in 2021.
- Preventive maintenance work is ongoing at Drongen and several other sites, particularly in the area of preventing leaks in compressors and reducing the amount of electrical energy used to produce compressed air.
- We're also working on replacing several VOCs with new chemicals that contain no VOCs.
- We're localising the production of some of our products. For example, the DeLaval Rotary E100 for the EU markets will now be produced in Europe instead of China.
- Separating rainwater from wastewater at our Drongen, Belgium chemicals plant.
- We're optimising our logistics to remove unnecessary transport in the production process to and from third-party suppliers.

- We will continue recovering metal sheets that would normally go to scrap and re-use them to make other components. The expected savings are 148,000 kg CO_{2e} per year.

WATER

- We plan to connect our different water systems in Drongen to the city system. This will result in more efficient water purification.
- We will work with water consumption monitoring at our cooling plant in Wroclaw, Poland.

ENERGY

- Our Polish factories (Wroclaw and Dobre Miasto) will move to green energy in 2021. The electricity will come from renewable sources such as wind and water. This is expected to reduce our CO_{2e} emissions by 3,100,000kg CO_{2e} per year.
- Several factories and distribution centres are moving over to LED lighting on a gradual basis. That is, when it is time to switch to new lighting.
- We have started moving to solar lights in outside storage areas in several plants including Wroclaw, Poland and Tianjin, China.

As mentioned earlier, the largest environmental impact we can have is by providing solutions that help our customers reduce their footprint. While we don't measure the environmental impact of our customers' farms, the UN Food and Agriculture Organisation (FAO) has measured that total milk production volumes have grown by 30% from 2005 to 2015 whilst absolute emissions have grown by 18%.

Without the productivity gains made by the industry and without farms making investments into more efficient farms, the absolute emissions would have grown by 38%. At the same time, there was still an increase of 18% and the goal must be to reduce emissions even if volumes increase.

The report also showed that the CO_{2e} emissions per kg of milk varied depending on the geographic location of the dairy operations. A kilogram of milk produced in sub-Saharan Africa for example releases 6.6 kg of CO_{2e} whereas the corresponding figure in North America is 1.29 kg. This gives us at DeLaval a very clear indication that we can make a significant difference in reducing the CO_{2e} emissions per kg of milk and that this kind of work has a significant environmental impact on dairy farming globally.



FOOD AND ANIMAL WELFARE

05

How We Work with Food and Animal Welfare

Everything we do has food, human and animal safety in mind. With a long history of innovation in the dairy industry, we aim to improve milk quality, food production, animal welfare and both the animals' and humans' environment. Our work with food and animal welfare is guided by our vision, local laws and by sustainability frameworks. Based on our materiality analysis, we have identified the following as our most important issues within Food and Animal Welfare.

- Food Safety.
- Animal Welfare.
- Product Development.

Food Safety

Food Safety is a critical topic for everyone in the dairy industry. Our work with food safety revolves around ensuring that any product or solution we launch on the market has no negative effect on the milk coming from a farm (see Product Development). At DeLaval, we follow food contact compliance legislation rigorously. Compliance with international regulations is also an important part of food safety.

Our compliance team works to ensure that all regulations are adhered to throughout the supply chain including the suppliers of raw materials or incoming material. To ensure chemical safety in DeLaval products, all bought components shall live up to the DeLaval Restricted Substances List (RSL), which consolidates the high demands on our products and solutions based on chemical legislation, regulations and global agreements, such as REACH, RoHS and POPs (Stockholm convention).

The RSL is distributed to suppliers on a regular basis and suppliers are asked to declare in accordance to legislative amendments. For parts in contact with milk in our assortment, DeLaval requires that the materials, additives and colourants used are according to legislation for the applicable regions. For each food contact part, suppliers must provide a self-declaration, based on the requirements stated in the DeLaval Requirements, on materials, products and solutions in contact with foodstuffs.

Another important aspect of food safety is ensuring animal health on farms. See below.

Animal Welfare

Animal welfare can be described as the animals' mental and physical state of well-being. As a company we are fully committed to following the globally established 'five freedoms' of animal welfare. These are:

1. Animals should be free from thirst and hunger

They should always receive a sufficient and appropriate supply of feed and water to maintain health and vigour.

2. Animals should be free from discomfort

They should be given suitable shelter and a comfortable resting area.

3. Animals should be free from pain, injury, and disease

Appropriate steps should be taken to prevent, detect, and properly manage animal diseases and to protect against unnecessary or unreasonable pain.

4. Animals should be free from fear and distress

This means banning any practices that cause mental suffering and distress to animals.

5. Animals should be free to express normal animal behaviour

They should be able to live in reasonable harmony with sufficient space, proper facilities and the company of the animal's own kind.

DeLaval has a 138-year-old history where animals have been at the centre of our business. We are committed to helping farmers increase the productive lifetime of their animals through quality animal care.

We are against any act of animal cruelty. This includes, but is not limited to, wilful mistreatment and neglect of animals and acts that maliciously cause pain, injury, or suffering.

Animal welfare also has a direct effect on several other aspects of our sustainability approach, such as long-term profitability for farmers and food safety. There are four specific areas where we support animal welfare in the herds of our customers:

- Ensuring animal welfare is an integrated part in the development of our products and solutions.
- Offering client support through dairy advisors.
- Continuous education and training internally and externally.
- Research collaborations with universities and organisations.

Product Development

While it is the farmer's responsibility to manage their animals cows and ensure a high level of welfare and health, DeLaval can help by providing solutions that support the farmer in achieving that goal. We uphold the highest standards of welfare and animal care when designing and developing new technologies. Furthermore, we always put animal and operator safety first in everything we do.

We include scientific knowledge in our product development to provide solutions that:

- Milk cows efficiently and gently.
- Monitor animals for early disease detection and efficient reproduction.
- Prevent diseases through animal-friendly barn environment solutions.
- Prevent diseases through measures that reduce the risk of infections originating from the animal environment or the milking system.

See also Product Development in our section on Environmental Sustainability above.

How We Measure Progress Within Food and Animal Welfare

Progress within food and animal welfare must occur on our customers' premises and each farm will have specific conditions that can affect an animal's wellbeing. We measure what we can control at DeLaval. That is, we measure the animal welfare benefits of specific products and solutions that we offer. At the same time, we support and work towards achieving the five freedoms of animal welfare.

Results

While no globally available data on animal welfare progress in our customers' farms is yet available, we can see what improvements have been made on individual farms through information from our dairy advisors, field studies, service and other close collaboration with our customers.

"DeLaval has a 138-year-old history where animals have been at the centre of our business. We are committed to helping farmers increase the productive lifetime of their animals through quality animal care."

Actions We're Taking

- We proactively support our customers with dairy advisors around the world. These advisors help our customers focus on animal welfare, production efficiency and cow longevity.
- We have a protocol in place in the US for how to deal with a farm when we witness poor animal welfare. This methodology has been created together with the American Farmers Association. We have similar processes in other countries.
- All of our products that are being developed start with the health and welfare of the animal. This is always number one. A healthy cow is a productive cow.

SOCIAL AND ECONOMIC SUSTAINABILITY

06

There were 4363 employees at DeLaval on 31 December 2020. We serve over 100 countries globally working either directly in that country or via dealers.



How We Work with Social and Economic Sustainability

Our work with social and economic sustainability issues are guided by our vision but in more practical terms, by our Corporate Governance Framework that includes our:

- Code of Business Conduct.
- Corporate Governance Policies.
- Other policies and guidelines such as HR policy, as HR policy, policy on Workplace Conduct, guidelines on Conflicts of Interest, policy on Whistle Blowing, Occupational Health and Safety policy, etc.

Corporate Governance

The Corporate Governance Framework of DeLaval (the Framework), sets the baseline for how we act in our operations worldwide, internally as well as in our external relations. The Framework is key to the sustainable and successful business of DeLaval. It is developed and mandated by the Board and implemented by DeLaval's Group Management. The Framework consists of the following components:

- Roles and Responsibilities.
- The Code of Business Conduct.
- Corporate Governance Policies.
- Controls.

ROLES AND RESPONSIBILITIES

The Roles and Responsibilities define the areas of responsibility of different bodies and functions within DeLaval. Through the Roles and Responsibilities, the Board delegates responsibility to the CEO to implement and enforce compliance with the Code of Business Conduct, the Corporate Governance Policies and all other parts of the Framework. Top-level operational commitment to the Framework is secured by assigning a Group Management team member as owner of each Corporate Governance Policy. A Corporate Governance Council, reporting to Group Management, supports the governance of the Framework and the management of corporate governance matters in DeLaval.

THE CODE OF BUSINESS CONDUCT

The Code of Business Conduct covers, amongst other areas, compliance with laws and regulations, health and safety in the workplace, anti-discrimination, confidentiality and information management, conflicts of interest, anti-corruption and antibribery, prevention of child labour and forced labour, export control and trade compliance.

CORPORATE GOVERNANCE POLICIES

The Code of Business Conduct is further supported by the Corporate Governance Policies, which in more detail sets standards for DeLaval's operations in the various areas covered by the Code of Business Conduct.

The Corporate Governance Policies include policies on areas such as Confidentiality and Information Management, Risk Management, Conflicts of Interest, Whistle Blowing, External Audits and Internal Audits. Below are extracts from our policies dealing with the issues of anti-corruption and human rights.

Anti-Corruption

Under our anti-corruption commitment, we require all employees and companies of the DeLaval Group to refrain from offering, paying, requesting or accepting any form of illegitimate contribution. It equally bans the requesting of any customer or supplier to do the same.

Human rights

DeLaval supports and respects the principles set out in the Universal Declaration of Human Rights as well as the Children's Rights and Business Principles. The Code of Business Conduct, Corporate Governance Policies and other supporting documents and information.

CONTROLS AND TRAINING

The Controls set the framework for the controlling and supervising of the adherence to the Code of Business Conduct, the Corporate Governance Policies and other supporting policies and guidelines.

The yearly Management Declaration, signed by our CEO and Group Management, assures the Board the conformance to the Framework. The CEO and Group Management in turn verify conformance through signed Management Declarations, annual Control Self Assessments and quarterly confirmations regarding compliance with specific corporate policies, submitted by the managing director of each DeLaval legal entity.

The internal audit team of Tetra Laval, in addition to external auditors, provides further comfort that the Framework is adhered to across the DeLaval Group.

Our staff is encouraged to escalate breaches of the Framework or other serious inappropriate behaviour that comes to their knowledge. Such escalations may be made to higher level management, HR, Legal Affairs or under our whistle blowing policy. An employee "blowing the whistle" in good faith is explicitly protected from disciplinary actions or other consequences related to the whistle blowing. In mid-2019, we implemented a new whistle-blowing tool to facilitate and enable employees to report issues more easily.

The new tool is available in more languages than our previous system and is easier to use.

We raise awareness about the existence of this tool via regular internal communication. Concerns are also raised and addressed in the line organisation and support functions, which we continue to encourage.

As part of the onboarding program, all new DeLaval employees take a Corporate Governance e-learning course. This e-learning training is available in 12 languages and covers areas such as anti-corruption, workplace safety, conflicts of interest, non-discrimination, protection of assets and confidential information. In addition, a key element of the training is to explain how suspected non-compliance can be reported, e.g. through whistle blowing.

In 2020, a new Code of Conduct training course was launched for all employees. "Good Governance 2020" focuses on topics such as bribery and fair competition. In addition, we have brought in a new partner that can help offer additional courses adapted to DeLaval's needs.

SUPPLIER AND DISTRIBUTOR COMMITMENTS

In an integrated value chain, we believe customers and suppliers must work closely together to reduce end-to-end impacts. DeLaval therefore requires its suppliers and distributors to commit to a high standard of performance in relation to sustainability, including environmental protection, anti-corruption, freedom of labour, compliance with laws and regulations, product safety and compliance with regulatory requirements.

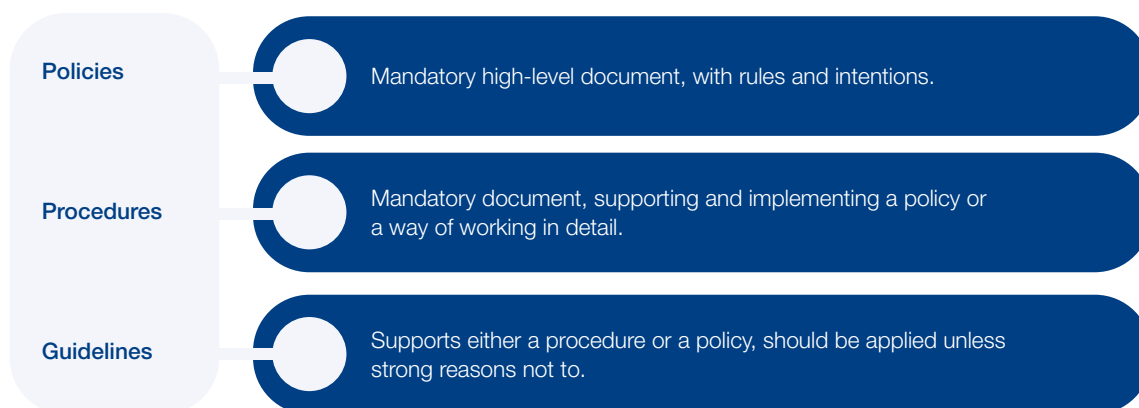
This commitment is a contractual obligation of the suppliers and distributors of DeLaval. A breach of this undertaking is considered a material breach of contract. We request that all our suppliers sign and live by our Ethics and Sustainability Principles.

Our initial goal of covering 85% of total spend has been reached. We now have signed agreements with our suppliers representing 88,8% of our Global Sourcing spend. We will continue to work to improve this. No new suppliers will be approved unless they sign up to these principles.

Policies, Procedures and Guidelines

On top of our fundamental Corporate Governance Policies, DeLaval has specific policies, procedures and guidelines to further support our work. This includes, among others, an Environmental Policy, Health & Safety Policy, HR Policy, Product Safety and Food Safety Policy.

Each policy, procedure and guideline is valid globally or locally. Every document has an owner, shall have a documented approval and be subject to regular review after release.



How We Work with Social and Economic Sustainability

Our key priorities based on our materiality analysis are the following:

- Diversity and Inclusion.
- Employee Engagement and Wellbeing.
- Profitability.

Diversity and Inclusion

This topic includes gender and age diversity and equal opportunity. The companies within the DeLaval Group recruit, employ and promote employees on the sole basis of their qualifications and ability. There shall be no discrimination on the grounds of religion, social standing, origin, gender, sexual orientation or political belief. DeLaval promotes the idea that all employees shall be treated with equal respect and dignity and shall be provided with equality of opportunity to develop themselves and their careers. Diversity benefits DeLaval's continuous development and innovation and we promote an inclusive and diverse culture.

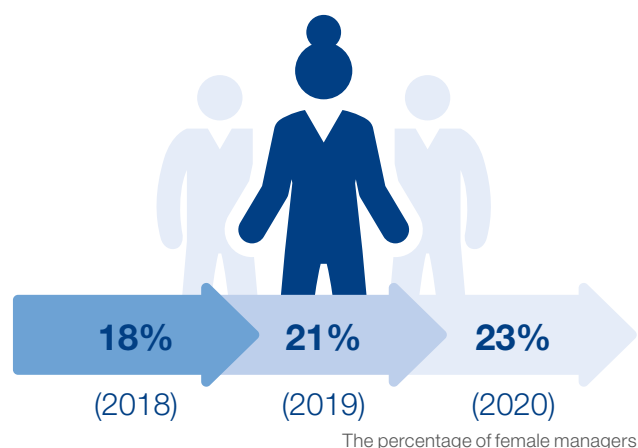
The DeLaval Group does not tolerate physical or mental harassment or abuse in the workplace. Equality also entails zero tolerance of sexual harassment and other gender-based offences. DeLaval does not tolerate behaviour, including gestures, language and physical contact, that is sexually coercive, threatening, abusive or exploitative in the workplace.

Age distribution

We monitor age distribution on various levels throughout the company. Overall, we have a healthy age distribution.

Gender distribution

Our goal is to have 25% female employees by 2025 and 30% by 2030. The percentage of female employees at DeLaval in 2020 and 2019 was 21%. The percentage of female managers is at 23% (18% in 2018 and 21% in 2019). Our gender distribution remains imbalanced and we need to improve significantly. The female managers ratio is improving gradually year on year.



Actions We're Taking

Following on from our diversity inclusion strategy in 2018, we have initiated several activities in 2019 that have developed in 2020. These include:

- Flexible working policy review in key countries.
- A training program on unconscious bias.
- An updated recruitment policy to help eliminate unconscious bias. The policy includes a guideline stating that when short-listing, an equal number of male and female candidates are on the shortlist.
- Pay penetration balance by gender.
- Monitoring and comparing age/generation, tenure distribution and experience from different industries.
- We continue to work with three Employee Resource Groups focusing on Gender Diversity. Women in Blue (US), DAWN (Swe) and One DeLaval Diversity and Inclusion Group (China). These groups are working to support equal opportunities and room to grow with a focus on female employees.

Employee Engagement & Wellbeing

This topic includes occupational health and safety, the working environment, employee satisfaction and engagement, income and psychosocial work environment. We have traditionally compared our employee engagement results to the industry standard. We have now set a more ambitious goal for 2030 where we aim to be ranked as a 'high-performing' company, according to the standards used by the global advisory company Willis Towers Watson.

COVID-19

2020 was an exceptional year for everyone with the onset of the COVID-19. At DeLaval, we, like many others, needed to react quickly to the changing situation. Several local and global working groups were set up to support employee engagement in this new working situation.

The importance of employee wellbeing was highlighted as being more important than ever and a series of activities were put in place to help manage the situation.

These included:

- An e-learning session on working safely during COVID-19.
- A home-working kit in some countries to support employees setting up a workstation from home.
- Launch of the '7 Wellbeing questions' for managers to raise with staff. These questions helped stimulate conversations regarding health and wellbeing during the pandemic.
- Tips to identify stress symptoms.
- Continuous listening to employees and focusing on employee experience in the workplace.
- Frequent information on the current situation and how it influences employees and the company.

While some of our employees still needed to turn up to their workplace and work in new ways, others were confined to working from home. All key functions in DeLaval managed to continue operating in 2020.

Occupational Health and Safety

Occupational Health & Safety remains a high priority. DeLaval operates in an industry that is challenged with many potentially dangerous situations. Not only in our industrial operations but also for our sales staff, installation teams and service technicians on farms who often operate in remote and challenging conditions. DeLaval has a clear ambition to achieve zero incidents and accidents.

We have safety procedures in our own facilities that are under constant review and we adjust whenever improvements are apparent. We follow all the legal regulations of the country in which we are present. We receive regular audits and in addition use external partners to provide extra consultation and auditing.

A dedicated Global Occupational Health and Safety Director was employed in 2019 to manage the area of Occupational Health

and Safety (OHS). A clearer and easier way to report accidents and incidents was introduced. This has led to a 102% increase in the number of Incident/Accident reports compared with 2019. This is an indication of much greater engagement in reporting incidents but also a clearer picture on our OHS targets based on accurate statistical analysis.

At the same we saw a decline in the Lost Time Accident Rate (LTAR) from 4.34 in 2019 to 3.61 in 2020.

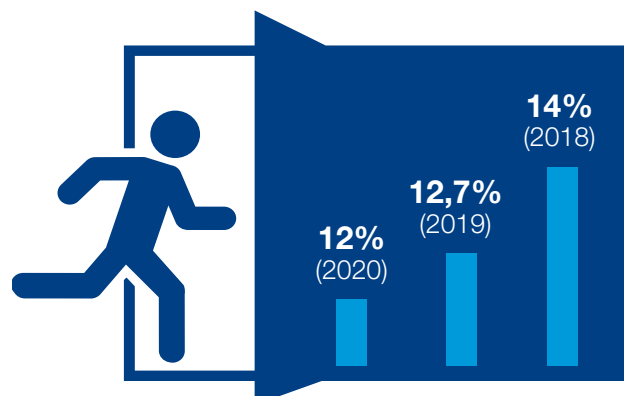
In 2020, we set up eight basic principles forming the foundation of our OHS Policy. In addition, a new governance structure was put in place to allow employees have a say in how they can operate in the safest way. We also refreshed the Workplace Conduct Policy and Conflict of Interests Guidelines.

We offer online training to our employees in the area of Occupational Health and Safety. Our e-learning course in Professional Conduct is mandatory for all staff and Code of Conduct e-learning training is also mandatory for all new employees.

Results

STAFF TURNOVER

Staff turnover in 2020 was 12% compared with 12.7% in 2019 and 14% in 2018.



EMPLOYEE ENGAGEMENT

The employee engagement survey carried out in 2019, had a response rate of 87%. A figure much higher than the average in corresponding companies. 87% responded that they believe DeLaval is a company free of discrimination and harassment. This figure is 22% higher than the average. 92% of our employees are favourable to understanding how the work that is done on a day to day basis impacts our customer and how the department contributes to the success of the company. The company will run a new Employee Engagement Survey in May 2021.

HEALTH AND SAFETY

62% of employees believe DeLaval is a safe place to work. This is 9% higher than the manufacturing average. We believe however that this figure must be improved and are taking actions to do so. See below. No accidents causing permanent disability or worse have occurred since 2010. There were 36 accidents in 2019 that resulted in an employee being absent from work for one day or more. These range from small cuts to bruised and broken fingers to serious car accidents. This figure is higher than 2018 (17) and similar to 2017 (37). For the majority of accidents, new safety measures are introduced as a result or existing safety measures are reinforced. Most accidents occur due to unsafe behaviours or unsafe conditions.

Actions We're Taking

We have listed above several new activities that were implemented in 2020 to help maintain employee engagement and wellbeing during a pandemic.

In May 2021, we will conduct a new Employee Engagement Survey to understand better what areas we should prioritise. New activities will arise based on the results of this survey.

Results

Internally, the 2021 Employee Engagement Survey will give us a good indication as to how we are performing in this area. See above for results from the 2019 survey.

Externally, we have countless innovations on the market that have been proven to improve the efficiency of farm operations from automated milking and feeding systems to better and gentler liners that improve milk extraction and animal welfare. Please check: www.delaval.com

Profitability

We work to make sure both our own operations and our customers' businesses are profitable in the long-term. Farm profitability is an important part of long-term sustainability.

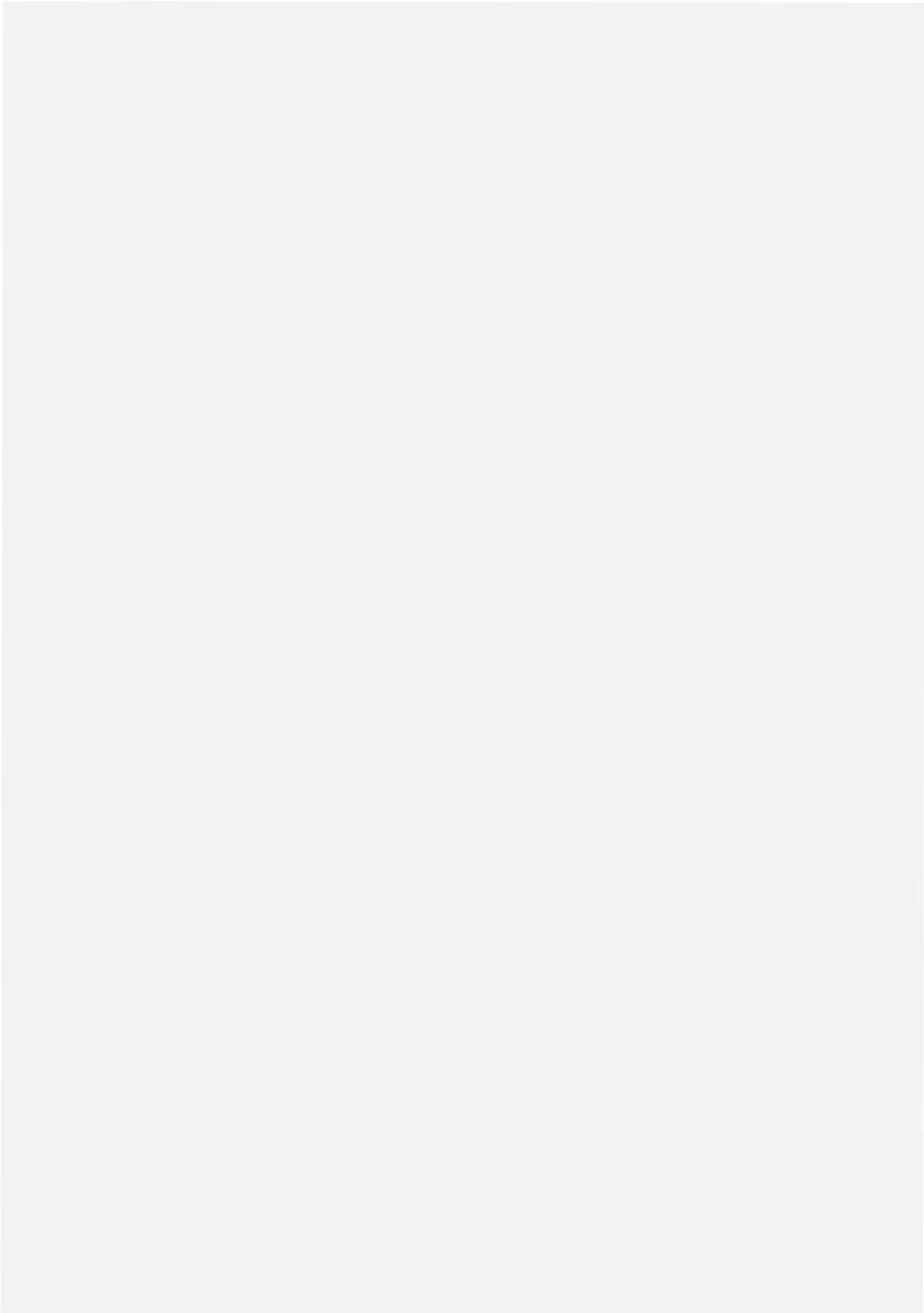
Our sustainability model is based on helping our customers and ourselves maintain a profitable business in the long-term. By providing farmers with solutions that make their farms more efficient, we provide a way of creating more environmentally sustainable operations but also more profitable operations. These

two factors align as farms that produce more milk per animal have a lower environmental footprint and at the same time are more economically sustainable businesses.

Animal welfare, mentioned above, is also a key factor in this model as the better a farm takes care of its animals, the more productive those animals are. Healthy animals also require less medical intervention and can help a farmer reduce costs in this area. Better quality milk also leads to higher milk prices for the farmer and therefore improved income. Our products and solutions are developed to meet the above criteria. Read more about the financial year at DeLaval here:

www.corporate.delaval.com







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