



# Sustainability Report 2017

## CONTENTS

|                                               |           |
|-----------------------------------------------|-----------|
| <b>DeLaval and Sustainability</b>             | <b>3</b>  |
| Business Model                                | 3         |
| Our Take On Sustainability                    | 3         |
| Corporate Governance                          | 4         |
| Policies, Procedures And Guidelines           | 5         |
| <b>What Is Material To Us?</b>                | <b>6</b>  |
| <b>Risk Management</b>                        | <b>7</b>  |
| Environment Topics                            | 7         |
| Dairy Specific Topics                         | 8         |
| Responsible Business Topics                   | 8         |
| Social Topics                                 | 9         |
| <b>Environmental Sustainability</b>           | <b>10</b> |
| How We Work With Environmental Sustainability | 10        |
| Results                                       | 12        |
| Actions We're Taking                          | 15        |
| <b>Social Sustainability</b>                  | <b>16</b> |
| How We Work With Social Sustainability        | 16        |
| Results                                       | 17        |
| Actions We're Taking                          | 18        |
| <b>Animal Welfare</b>                         | <b>19</b> |
| How We Work With Animal Welfare               | 19        |
| Results                                       | 19        |
| <b>Economic Sustainability</b>                | <b>20</b> |
| How We Work With Economic Sustainability      | 20        |
| Results                                       | 20        |

# DELAVAL

# DELAVAL AND SUSTAINABILITY

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This is DeLaval's sustainability report for the reporting period 2017 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 and its subsidiaries.

## Business Model

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We are a global full-service supplier to dairy farmers and other professional food producers. We develop, manufacture and distribute equipment and complete systems for milk production and animal husbandry. Services, accessories, 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 and food producers – create sustainable operations. We strive to make it possible for our customers to produce more food while reducing their relative resource use, environmental impact and costs.

## Our Take on Sustainability

We look at sustainability from four main perspectives.

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**Environmental sustainability** is about taking a long term perspective while using the latest scientific insights and technologies to improve the resource efficiency of our customers' operations and also our own. The aim is that common natural resources and materials are used to provide sustainable, safe and healthy lives for all humans.

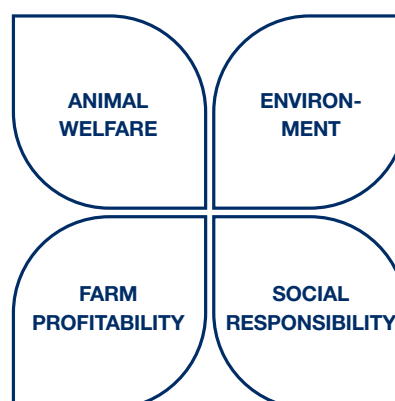
**Social sustainability** is about respecting and advancing Human Rights as they are defined by the UN. For us social sustainability means creating good working conditions for our employees and for those working on farms. Food Safety also falls under this category. Sustainable food production can only occur if the food is safe to consume.

**Economic sustainability** is about helping our customers and ourselves maintain a profitable business in the long term. It means ensuring a steady revenue, reducing costs and improving cash flow while minimising financial risks.

**Animal Welfare** is about extending the productive lifetime of the cow. This is one of the best things we can do to reduce environmental impact in the dairy sector. Animal Welfare is the part of our sustainability model that is specifically related to our customers.

By providing better conditions for the animals, farmers can improve the animal's health and thereby the farm's operations in several ways such as:

- Improved milk yield
- Better milk quality
- Less waste
- Less use of pharmaceuticals



DeLaval  
sustainability  
model

## Corporate Governance

**The corporate framework** of DeLaval 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 DeLaval's Group Management and consists of the following components:

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

The Roles and Responsibilities define the areas of responsibility of different bodies and functions within DeLaval. By the Roles & Responsibilities, the Board delegate to our CEO the responsibility to implement and enforce compliance with the Code of Business Conduct, the Corporate Governance Policies and all other parts of the Framework.

The Code of Business Conduct, which is further supported by our Corporate Governance Policies, covers, amongst other areas, compliance with laws and regulations, health and safety at work, anti-discrimination, confidentiality and information management, conflicts of interest, anti-corruption and bribery and prevention of child labour and forced labour, export control and trade compliance.

### ANTI-CORRUPTION

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

### HUMAN RIGHTS

With regard to 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 Corporate Governance Policies in place include policies on Confidentiality and Information Reporting, Risk Management, Conflicts of Interest, Whistle Blowing, External Audits and Internal Audits.

Top-level operational commitment to the Framework is secured by a Group Management member being assigned as owner of each Corporate Governance Policy. A Corporate Governance Council was formed in 2010 to support the governance of the Framework and the management of corporate governance matters in DeLaval.

The Code of Business Conduct, Corporate Governance

Policies and other supporting documents and information within the scope of the Framework are easily accessible to all our staff through our intranet.

### CONTROLS AND TRAINING

The Roles and Responsibilities 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 conformance to the Framework. The CEO and Group Management in turn verify conformance through signed Corporate Governance Confirmations, 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 provides further comfort that the Framework is adhered to across the DeLaval group.

Through our whistle blowing policy, our staff is encouraged to escalate breaches of the Framework or other serious inappropriate behavior that comes to their knowledge. An employee "blowing the whistle" in good faith is explicitly protected from disciplinary actions or other HR consequences by reason of whistle blowing.

As part of the onboarding program, all new DeLaval employees take a Corporate Governance eLearning course. This eLearning training is available in 11 languages and covers areas such as workplace safety, conflicts of interest, non-discrimination, protection of assets and confidential information.

A key element of the training is to explain how suspected non-compliance can be reported, eg. through whistle blowing.

In addition, a global web-based compliance program will be launched to all DeLaval employees during 2018. It consists of training in various domains. The targeted areas in 2018 include whistle blowing, data privacy, harassment in the workplace and occupational health and safety.

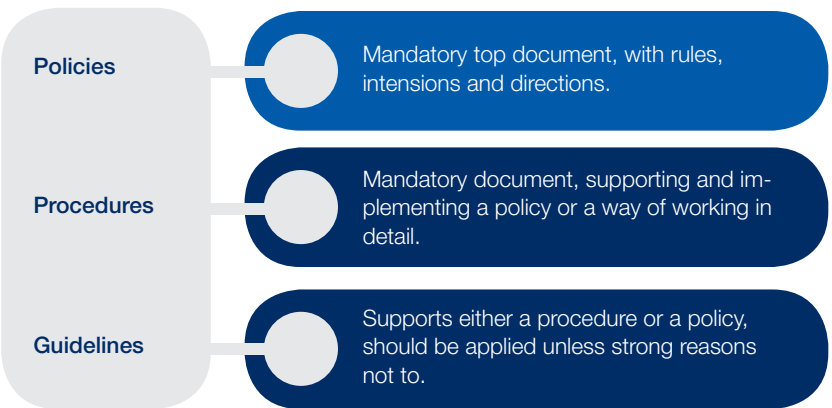
### SUPPLIER AND DISTRIBUTOR COMMITMENTS

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 our environmental policy commitments, compliance with laws and regulations, product safety and compliance with regulatory requirements. The commitment of our suppliers and distributors is incorporated in our supplier contracts, making it a contractual obligation to adhere to those requirements.

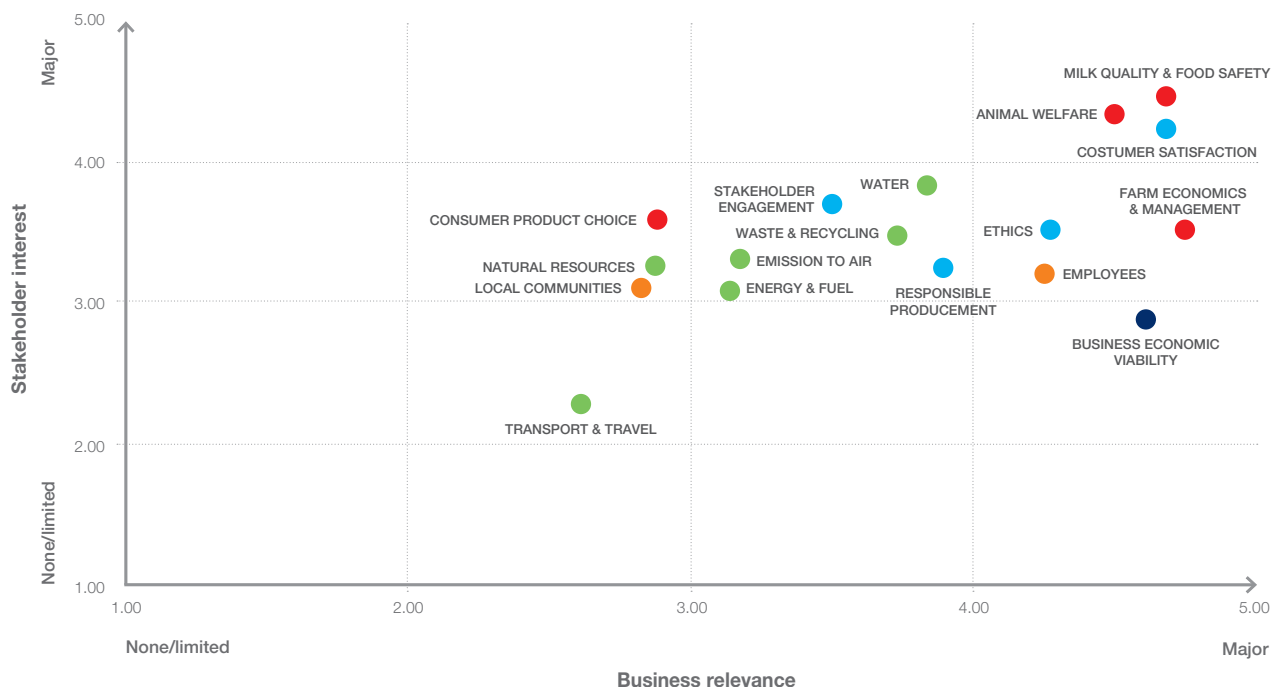
# Policies, Procedures and Guidelines

**On top of our Corporate Governance Policies**, DeLaval has specific policies, procedures and guidelines to further support our work. This includes an Enviornmental Policy, Health & Safety Policy, HR Policy, Project Policy, Quality Policy, Third Party Payment Policy and Data Privacy Procedure.

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



# WHAT IS MATERIAL TO US?



Whilst identifying which sustainability topics were most important to us, we looked both at our customers' operations as well as our own. We came up with a list of 17 potential sustainability topics based on international standards, business and industry knowledge and also good practice.

We then asked internal and external stakeholders' opinions through workshops, one-on-one interviews and other research to see what topics they thought were most important to DeLaval. The stakeholders included dairy processors, industry associations, global organisations, academic institutions, NGO's and Environmental and Sustainability managers in other industries. Internally, we carried out a workshop and questionnaire to a wide audience of employees across DeLaval. We also spoke to key individuals internally from Group Management, our Business Areas and services organisation, Sales, Supply Chain, our Milk Quality and Animal Health division, R&D as well as other internal experts.

The graph above shows what areas our stakeholders believe are most important to us. They are divided into five categories.

- Dairy specific
- Economic
- Social
- Responsible Business
- Environmental

## THE KEY CONCLUSIONS FROM THE ANALYSIS ARE:

- Animal welfare, food safety, farm economics and management and customer satisfaction are the highest scored sustainability topics globally. This is in line with our current business focus.
- There are strong and growing expectations on the dairy industry for more visibility, transparency and communications of tangible results related to social and environmental topics.
- DeLaval's primary role is seen as an enabler of tangible sustainability improvements on farms when it comes to animal welfare, working conditions and the use of energy, land and water.
- At DeLaval, we need to secure that our own operations have clear social and environmental targets, that we behave ethically and can show progress linked to industry and global goals.

The materiality analysis was completed in 2016. This was our first such analysis. We will review again in 2018.

# DELAVAL

## RISK MANAGEMENT

**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.

### Environment Topics

| Risk                                                                                                                                                                                                                                                                                        | Risk Mitigation                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>Trust for milk as a foodstuff.</p> <p>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.</p> | <p>We work with associations and academic institutions to provide varied scientific facts regarding the nutritional value of milk.</p>                                                                                                                                                                                                                                                                                                                                                                                                    |
| <p>Carbon footprint. An increasing carbon footprint is risking the environment we work in and the world at large.</p> <p>The dairy industry is also under pressure from consumers to reduce its carbon footprint.</p>                                                                       | <p>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.</p> <p>Our product development teams have a list of conditions to bear in mind for every new project (see below).</p> <p>We make demands on our suppliers in this area also.</p>                                                                                                                                                |
| <p>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.</p>                                                                                                       | <p>All necessary precautions are taken to avoid any chance of a chemical spill.</p> <p>We have full and audited environmental controls.</p> <p>We conform to the local legal regulations of the country where our factories are based.</p> <p>We use external independent experts in addition to our staff to improve procedures.</p> <p>We also carry out additional controls with external partners.</p> <p>Our facilities are designed to contain a spillage should it occur and prevent it from reaching the natural environment.</p> |
| <p>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.</p>                     | <p>We work with a Restricted Substances List and keep it updated by monitoring all published material identified of relevance.</p> <p>We comply fully to the REACH regulations.</p>                                                                                                                                                                                                                                                                                                                                                       |

## Dairy Specific 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. | <p>Our compliance and R&amp;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.</p> <p>We are using recognised food standards such as rust-free steel to produce our products.</p> |

## Responsible Business 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.               | <p>We have a 'whistle-blower' policy in place to allow staff report breaches of policy in confidence.</p> <p>We conduct audits and self assessments to ensure that we stick to our Corporate Governance Framework.</p> <p>All new DeLaval employees take a Corporate Governance eLearning course.</p> |
| Corrupt business practices. We see risks when working with suppliers but also customers operating corrupt business practices. | <p>Our Ethics and Sustainability Principles are also used to mitigate corruption from suppliers.</p> <p>See Corporate Governance above – Supplier Commitment.</p> <p>Our Code of Business Conduct is used to mitigate corruption within DeLaval. See Corporate Governance above.</p>                  |

## Social Topics

| Risk                                                                                                                                                                                                                                                                                                                       | Risk Mitigation                                                                                                                                                                                                                                                                                                                                                |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>Health and Safety. The risk for accidents is always a risk whether employees are working</p> <ul style="list-style-type: none"> <li>– In our factories and offices</li> <li>– On customer's farms</li> </ul>                                                                                                            | <p>We have safety procedures in place at our own facilities and monitor workplace accidents carefully.</p> <p>We cannot control our customer's environment and operations but have established a new reporting procedure should an accident take place on the customer's premises.</p>                                                                         |
| <p>Child Labour.</p> <p>Child labour can occur across the dairy value chain.</p>                                                                                                                                                                                                                                           | <p>We don't accept child labour of any sort.</p> <p>We cut all ties with any business partners that we know are using child labour.</p>                                                                                                                                                                                                                        |
| <p>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.</p> <p>Gender diversity is an issue for the dairy industry as a whole.</p>                                                                                                    | <p>We have several measures in place to deal with the imbalance. Our HR Policy outlines how we encourage gender diversity.</p> <p>Several products 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.</p>                                                   |
| <p>Attracting the next generation.</p> <p>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.</p> <p>We already have a gender imbalance and risk missing out on recruiting the best qualified people.</p> | <p>We work together with various branch organisations to promote the industry.</p> <p>Several products 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.</p> <p>Our HR policy outlines how we work to create attractive working conditions at DeLaval.</p> |

## 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 issues.

- Water usage
- Waste and recycling
- Emissions to air
- Energy and fuel

### We look at environmental sustainability from two aspects

1. How we can affect our customer's environmental sustainability
2. The sustainability of our own operations

### OUR CUSTOMERS OPERATIONS

We have more than one million customers around the world. Our customers are among the five million dairy farmers globally with ten cows or more.

We develop products and solutions that help our customers reduce their environmental footprint, while they improve food production, increase profitability, and enhance the well-being of people and animals.

Many of our products have shown proven benefits in terms of increased and more efficient milk production, reduced energy consumption and improved animal welfare. When cows are healthy and productive they produce more milk per kg of feed and grass they eat which means the water and land used to produce the feed and to maintain grazing fields are used more efficiently.

It's on the customer-side of our business that we believe we can have the biggest impact in contributing to lowering the environmental impact within dairy farming.

### PRODUCT DEVELOPMENT

Our product development teams consider the following categories, depending on the product being developed.

- Electricity consumption of the product when in use.
- Fresh water consumption and the waste water impact related to the use of the product.
- Use of all materials in the solution and production of the product to ensure no potentially hazardous substances are used.
- Assurance that applicable laws are complied with.
- Working conditions related to the operation and service of the solution.
- Prevention and reduction of waste.
- Animal welfare improvement resulting from the use of the solution.

### OUR OPERATIONS

Within our own operations we have chosen to focus on the work at our own factories. This is where we believe we can make the biggest impact on our own environmental footprint.

In all of our factories we measure waste, water consumption and energy consumption.

### We have 18 factories and 7 distribution centres around the world split into:

- Milk Quality and Animal Health (MQAH) factories. These eight factories are producing chemicals such as udder hygiene, teat-dips and acid and alkali cleaners and sanitizers for milking installations.
- Supply Chain factories. These ten factories are manufacturing milking and cooling equipment, ie. hardware for dairy farms.
- Distribution Centres. We have seven centres that warehouse our products before delivery to the customer.

### Supply Chain Factories & Distribution Centres



### Milk Quality & Animal Health factories



## How we measure environmental footprint

In 2017, we revised and updated our environmental baseline for all manufacturing and distribution centres. We will be working with this baseline for future measurement. In other words, we have no global measurements for waste, water and energy consumption but rather each individual factory has had its own method of measuring making year on year improvements independently.

There are fundamental differences in waste, water and energy consumption when comparing the MQAH factories to the Supply Chain factories. For example, our MQAH factories are large consumers of water because the products manufactured

in those factories are mostly water-based, while the Supply Chain factories consume low amounts of water.

Even within the relatively similar MQAH factories there are distinct differences in product output.

The geographical location of our factories also affects the energy output due to heating and cooling costs. Additionally, consumption is likely to increase if the volume of an individual location increases. The many variables have led to us measuring factories on an individual basis.

Since 2014 all units have set specific targets for the following year to further drive improvements.

## Waste, Water and Energy Results

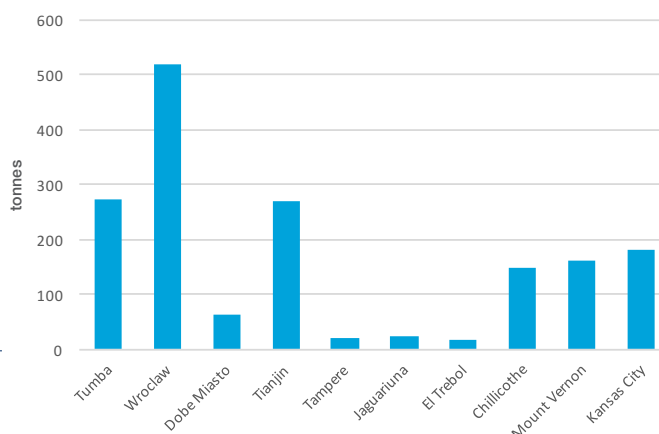
Below is a list of the waste, water and energy consumption from our factories and distribution centres. The figures almost always reflect the size of our factories. That is, the larger factories are the ones with the bigger footprint in all of the categories below.

### Waste

#### SUPPLY CHAIN FACTORIES

Our Wrocław factory is by far the biggest one. This is reflected in the results above.

Supply Chain Factories, Total waste

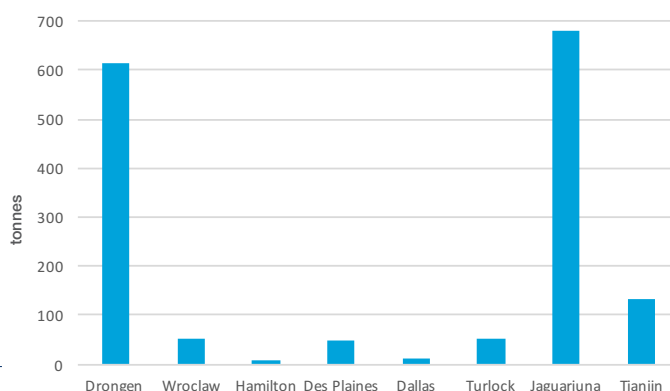


#### MQAH FACTORIES

Solid waste including packaging is very limited from all plants due to the recycling materials used and the nature of the materials used. Drongen and Jaguariuna have higher reported waste due to the fact that their waste water is treated off-site by a certified third party.

The Environmental Protection Agency (EPA) in the US no longer considers Des Plaines, the largest MQAH chemical factory in the group, a waste water producer or hazardous waste generator due to initiatives taken in last three years.

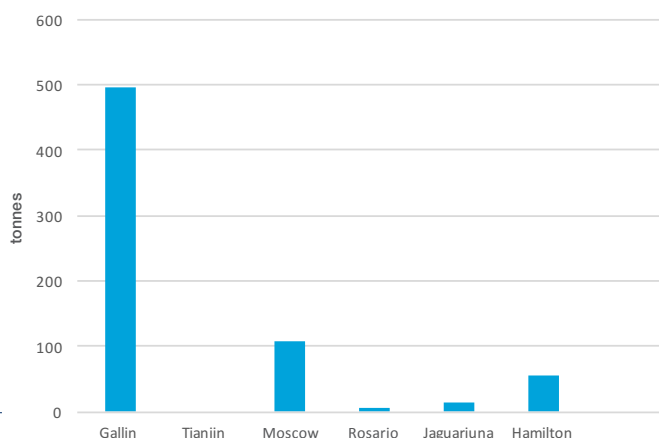
Milk Quality & Animal Health Factories, Total waste



#### DISTRIBUTION CENTRES

Gallin is by far the biggest distribution centre covering an area of 57,000 m². The energy figures in Gallin also include the energy consumption at the Glinde distribution centre which was shut down in 2017. Gallin has replaced Glinde but both centres ran simultaneously for a six month period in 2017 hence the significantly higher figures.

Distribution Centres, Total waste

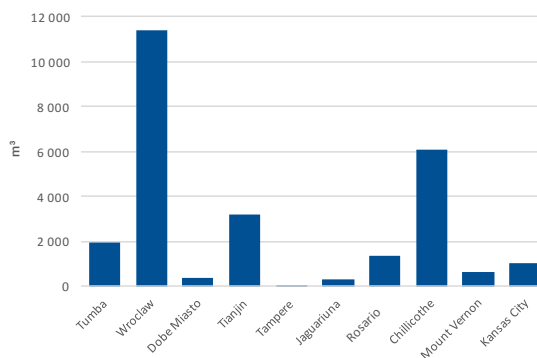


## Water Consumption

### SUPPLY CHAIN FACTORIES

Water consumption in our factories comes mainly from employees taking showers. We have more than 300 employees in Wroclaw and less than 50 in most of the other factories.

Supply Chain Factories, Total fresh water consumption

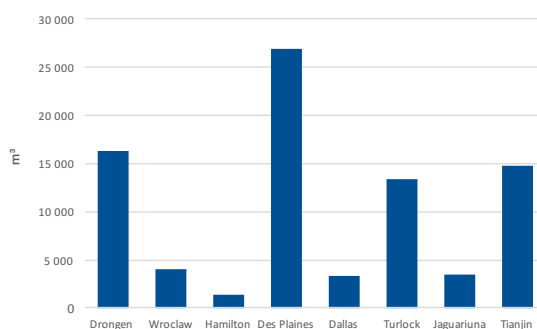


### MQAH FACTORIES

Drongen, Des Plaines and Turlock are higher total water consumers due to the volume of production at those factories. Tianjin uses a significant percentage of total water for cooling towers which is not used in other factories.

Good management and project work over the last 10 years has reduced total water necessary for rinsing between product production cycles in several of the factories. This is achieved by batching orders through more efficient planning of production and better rinsing techniques.

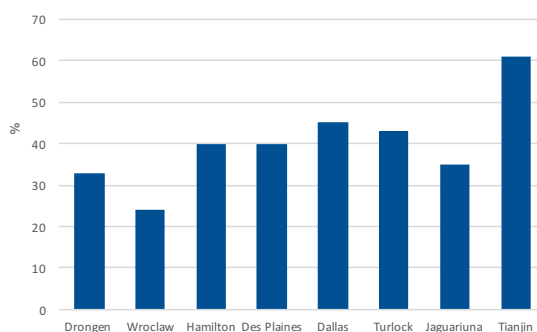
MQAH, Total fresh water consumption



### WATER CONSUMPTION – NOT USED IN FINAL PRODUCT

A high proportion of the water consumed in the chemical factories goes into the final product itself. A better measure then is the percentage of total water consumed that is not used in final product. This is shown in the chart below. Tianjin has a higher percentage not used in the final product because of the use of a significant percentage of total water for the cooling tower set-up used in this factory and not in others.

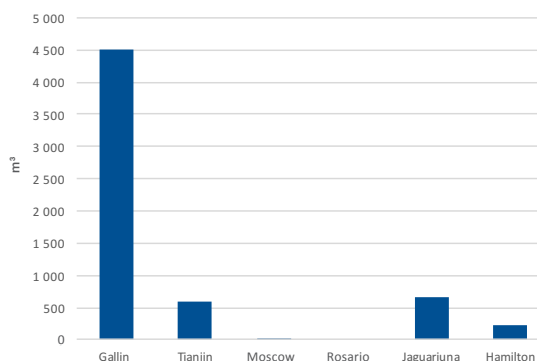
MQAH, Percentage of fresh water unused in final product



### DISTRIBUTION CENTRES

See the comment regarding waste for the distribution centres above. The same applies here.

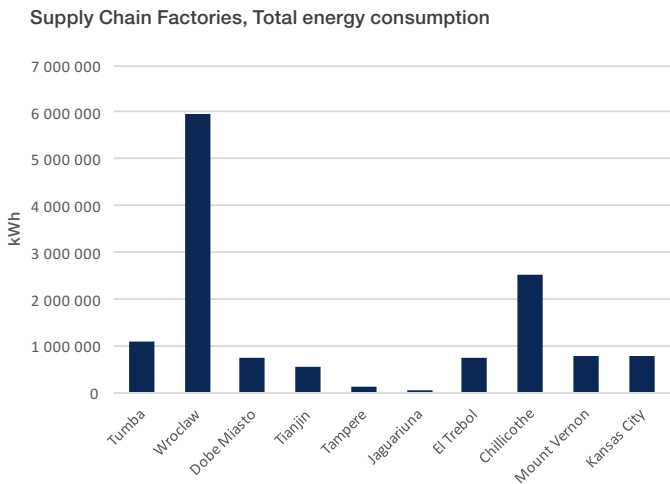
Distribution Centres, Total fresh water consumption.



Energy Consumption

SUPPLY CHAIN FACTORIES

Wroclaw is the largest factory and thereby consumes the most energy. There are also different kinds of processes at our factories. Wroclaw runs a lot of equipment that consume energy while our Tumba factory works only with assembly.

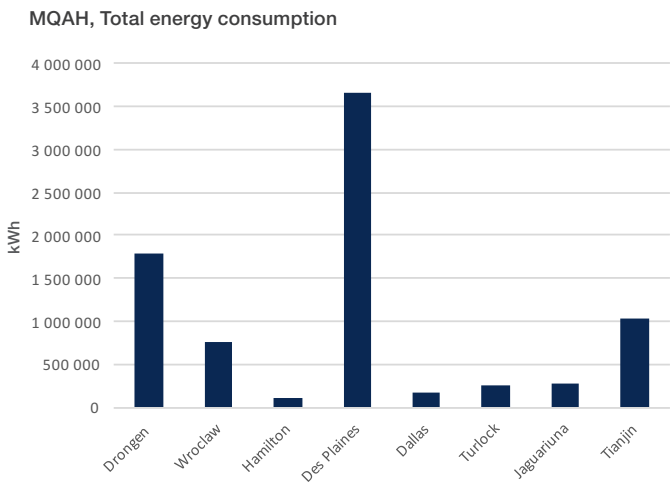


MQAH FACTORIES

Drongen, Des Plaines and Tianjin all use surfactant chemicals in high volumes. These need to be stored at a high temperature (in hot boxes) which is the main consumer of energy at these factories. In addition, Des Plaines and Tianjin are situated in geographical areas that need heating in the winter periods.

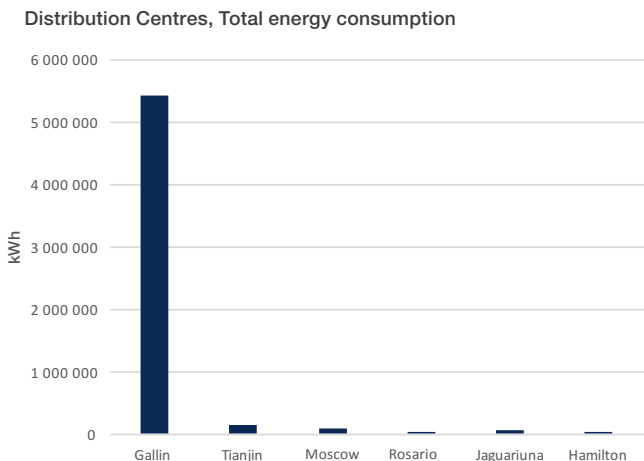
In recent years, Des Plaines has moved from electricity to gas for heating the hot boxes. This has significantly helped reduce total energy consumption.

In addition, all the factories have or are investigating LED light to reduce energy consumption.



DISTRIBUTION CENTRES

See the comment regarding waste for the distribution centres above. The same applies here.



The Gallin centre received Gold certification for its building. The building uses 62% less potable water compared to normal buildings. The building has also achieved a 43% reduction in energy compared to similar buildings.

### Actions We're Taking

Every factory has its own specific actions. Below is an example of some of the actions being taken in our factories.

#### WASTE

- Reducing packaging materials and using more re-usable packaging
- Production technology changes – eg. In Dobre Miasto and Wrocław we are making production changes that will require less foil used to protect stainless steel during processing

#### WATER CONSUMPTION

- Greywater usage for toilets
- High-efficiency flush fixtures
- More efficient tank washing procedures and batch pollution to reduce water waste in the MQAH factories

#### ENERGY CONSUMPTION

- Replacing older lighting systems with LED lighting systems
- Improved insulation for the whole building
- Using gas energy for hot box heating

#### GALLIN DISTRIBUTION CENTRE

In 2017, we opened up the Gallin distribution centre. Among the benefits of the new facility will be a considerable reduction in heating costs compared to our previous centre at Glinde. The new Gallin centre was built following the United States Green Building Council (USGBC) rating system LEED (Leadership in Energy and Environmental Design). The Gallin distribution centre received Gold certification for its building. The building uses 62% less potable water compared to normal buildings. The building has also achieved a 43% reduction in energy compared to similar buildings.

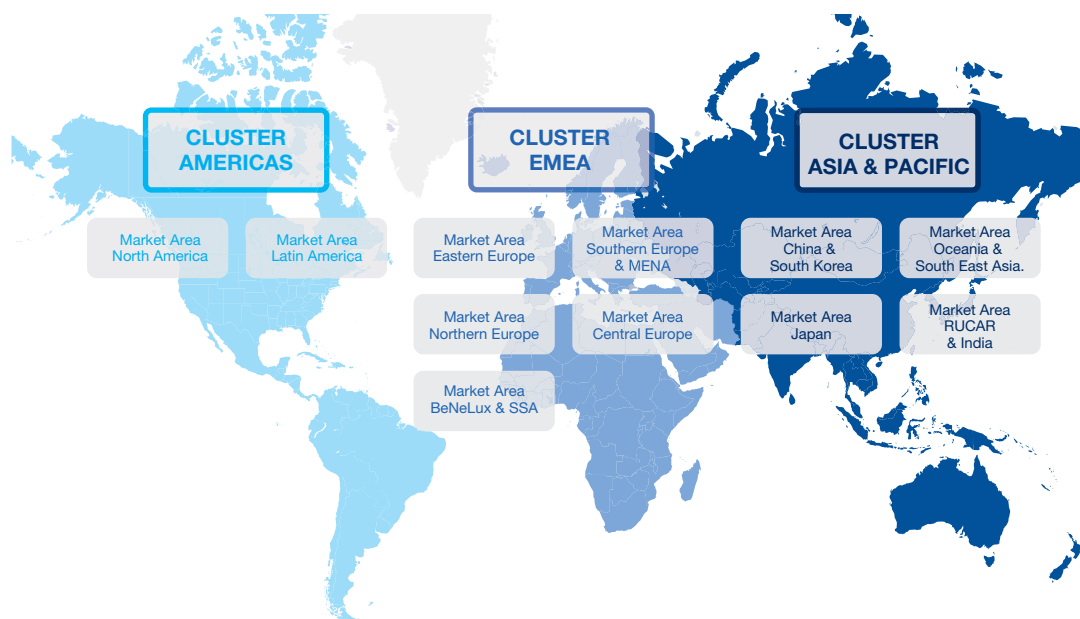
Of the 18 manufacturing units reported on, nine are certified in accordance with both ISO 9001 and ISO 14001 and seven are certified for Good Manufacturing Practices (GMP).

## How we work with Social Sustainability

There are approximately 4,500 employees at DeLaval. We serve over 100 countries globally working either directly in that country or via dealers.

DeLaval around the world

Three clusters and 13 market areas serving our customers



**Our work** with social 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, Policy on Whistle Blowing, Health and Safety Policy, etc.

Based on our materiality analysis we have identified the topic 'employees' as our most important social issue.

### EMPLOYEES

Our HR Policy states: DeLaval's employees are the backbone and foundation for the company's success and its future development. All employees are expected to be treated in a fair and respectful manner. It is therefore important that decisions affecting people should be made objectively, in a consistent manner and with a level of impartiality. It is also essential that short-term tactical decisions are made in line with longer-term business requirements.

Below are excerpts from several of our policy documents to give a clearer picture as to how we work with our employees.

### WORKING ENVIRONMENT

"DeLaval is committed to providing safe and healthy working conditions for its employees in all parts of the world..."

DeLaval's objective is to proactively avoid any physical or mental illness caused by the work environment.

### HEALTH AND SAFETY

Our Health and Safety policy regulates how to help protect the health and safety of our employees. The following three principles are critical:

- Prevent any harm to the health and safety of the workforce
- Maintain the physical and mental wellbeing of the workforce
- Maintain optimum working conditions

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.

### EQUAL OPPORTUNITIES AND DIVERSITY

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 we promote a culture of diversity.

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.

### HOW WE MEASURE PROGRESS WITHIN SOCIAL SUSTAINABILITY

We have chosen to measure the following parameters within the area of social sustainability.

- Staff turnover
- Age distribution
- Gender distribution
- Workplace accidents

DeLaval promotes the idea that all employees shall be treated with equal respect and dignity.

## Results

### STAFF TURNOVER

Staff turnover in 2017 was 13.7% (9.3% for white-collar staff.) A large portion was due to transformation programs run during the year. In a normal year, 13.7% would not be seen as healthy but we see the figure as acceptable given the changes that were made to strengthen our business. Voluntary turnover was 8%, a figure we deem as healthy and sustainable though we would not like to see this increase over time.

We also monitor internal movement as an indicator of career opportunities to our employees. Last year, 17.2% of our employees were in their positions less than a year and 51% for less than five years. We consider this a positive figure.

### AGE DISTRIBUTION

We monitor age distribution on various levels throughout the company. Overall, we have a healthy age distribution though certain functions and countries need to improve. We are taking measures including targeted recruitment and development activities to address these challenges.

### GENDER DISTRIBUTION

The percentage of female employees at DeLaval is 21%. The percentage of female managers at DeLaval is 18%.

### WORKPLACE ACCIDENTS

No accidents causing permanent disability or worse have occurred since 2010.

There were 38 accidents in 2017 that resulted in an employee being absent from work for one day or more. These range from a person slipping on ice on a farm to an employee being exposed to a corrosive chemical.

For the majority of accidents, new safety measures are introduced as a result or existing safety measures are re-enforced.

### EMPLOYEE ENGAGEMENT

In 2017 an Employee Engagement survey was distributed in 22 languages to all employees of DeLaval. Some of the results are shown below. The figures include those that agree or strongly agree with the statement.

DeLaval is socially and environmentally responsible – **77%** (79% in 2015)

Employees are treated equally and fairly regardless of gender, age, race, disability, religion or sexual orientation at DeLaval – **78%** (76% in 2015)

I am treated with dignity and respect at work – **79%** (78% in 2015)

I am satisfied with this company's efforts to maintain a safe and secure work environment – **80%** (79% in 2015).

This survey is repeated biannually to secure that improvements are made.

### SUPPLIER CONDUCT

When it comes to dealing with suppliers, we request that all our suppliers sign and live by our Ethics and Sustainability Principles. In 2015 we focused on getting the biggest suppliers to sign our Ethics and Sustainability principles. The target was to reach suppliers that account for 85% of the total spend by the Global Sourcing team. We reached 88% in 2017.

### Actions we're taking

#### STAFF TURNOVER

We continue to monitor voluntary staff turnover from several perspectives: gender, time in company and age. Where we see trends that are moving in the wrong direction, we take actions, which will vary depending on the situation. We also recognise the importance of employee development and career opportunities and continuously evaluate how to strengthen and improve our offerings in these areas.

#### GENDER DISTRIBUTION

We are not satisfied with our numbers and see this as a key sustainability challenge given the number of females active in the workplace as well as the need to reflect our customer base. In general, our support functions have a better gender balance, some of which nearly reach an even 50-50 gender balance. Our Business Area Aftermarket, Services and Barn Environment stands out with 37% female employees and serves as an example of moving in the direction that we want to move as a company.

#### OCCUPATIONAL HEALTH AND SAFETY

A unified way of reporting all accidents has now been created. Now, every part of the organisation reports accidents in the same way with a report that includes a description of the accident, what containment actions can be made immediately to prevent the accident from occurring again and what long-term measures can be taken. This is one of the steps being taken to create a better 'safety' culture in the organisation.

In 2017, Group Management placed safety at the top of its Management Team meeting agenda.

While the number of serious accidents is low at DeLaval, the number of incidents that require a person being absent from work for a day could still be better. We need to work more at creating a culture of 'safety' throughout the organisation. This means making it easy for staff to report an incident but also encouraging the reporting of such incidents.

Healthy cows improve working conditions  
which also fulfils consumer and society  
expectations on animal welfare.

## How we work with Animal Welfare

Animal welfare is one of the most important topics we have identified in our materiality analysis. Additionally, animal welfare has a direct affect on two other high-scoring topics in the analysis; Farm Economics and Management as well as Milk Quality and Food Safety.

Apart from ethical reasons, the profitability of a farm is highly dependent on the well-being of cows. An increased lifetime production of cows as a result of good management is an essential ingredient for successful dairy farming. Good cow comfort, efficient herd and feeding management, pro-active herd health and breeding programs are all critical factors to ensure a profitable and sustainable dairy production.

### **LONGEVITY – PRODUCTIVE LIFETIME YIELD**

Healthy cows improve working conditions which also fulfils consumer and society expectations on animal welfare. Increased lifetime productivity also improves the farms' environmental performance as the resource and emissions intensities, per kg of milk harvested, are reduced.

### **HOW WE MEASURE PROGRESS WITHIN ANIMAL WELFARE**

We lack a global goal for measuring progress within animal welfare as the measurement must occur on our customers premises and each farm will have specific conditions that can affect an animal's well being.

However, our Cow Comfort assortment for example, is based on the latest scientific findings and these findings show what kind of improvements can be made in terms of animal well-being such as:

- Improved lifetime productivity
- Reduction in disease, lameness, fertility and nutritional problems
- Indirectly a reduction in the use of antibiotics on a farm

### **Results**

While we lack a global goal and therefore lack also a global result, we can see what improvements have been made on individual farms. We can see in individual cases the amount of reduction in disease and the improvements in productivity and animal well-being.

## How we work with Economic 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 cow have a lower environmental footprint and at the same time a more economically sustainable business.

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.

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.

### Results

Read more about the financial year at DeLaval here:

<http://www.delavalcorporate.com/DeLaval-company-about/>



## **Revisorns yttrande avseende den lagstadgade hållbarhetsrapporten**

Till bolagsstämman i DeLaval International AB, org.nr 556012-3928

### **Uppdrag och ansvarsfördelning**

Det är styrelsen som har ansvaret för hållbarhetsrapporten för räkenskapsår 2017 på sidorna 3-20 och för att den är upprättad i enlighet med årsredovisningslagen.

### **Granskningens inriktning och omfattning**

Vår granskning har skett enligt FARs rekommendation RevR 12 *Revisorns yttrande om den lagstadgade hållbarhetsrapporten*. Detta innebär att vår granskning av hållbarhetsrapporten har en annan inriktning och en väsentligt mindre omfattning jämfört med den inriktning och omfattning som en revision enligt International Standards on Auditing och god revisionsd i Sverige har. Vi anser att denna granskning ger oss tillräcklig grund för vårt uttalande.

### **Uttalande**

En hållbarhetsrapport har upprättats.

Stockholm den 1 mars 2018

Ernst & Young AB

  
Jennifer Rock-Baley  
Auktoriserad revisor

## **TRANSLATION OF THE DOCUMENT ABOVE**

## **The auditor's report on the statutory sustainability report**

To the general meeting of DeLaval International AB, corporate, identity number 556012-3928

### **Engagement and responsibility**

The Board of Directors is responsible for that the statutory sustainability report for 2017 on pages 3-20 has been prepared in accordance with the Annual Accounts Act.

### **The scope of the audit**

Our examination of the statutory sustainability report has been conducted in accordance with FAR's auditing standard RevR 12 The auditor's report on the statutory sustainability report. This means that our examination of the statutory sustainability report is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinion.

### **Opinion**

A statutory sustainability report has been prepared.

Stockholm, 1 March 2018

Ernst & Young AB

Jennifer Rock-Baley  
Authorised public accountant



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