

Contents

Sustainability

| | |
|---------|----|
| Review | 18 |
| Outlook | 19 |

Sustainability

Sustainability is part of Emmi's corporate philosophy, to which all employees contribute. By formulating an environmental policy back in the mid-1990s, Emmi committed itself to resource-conserving corporate management. Today, sustainability is of particular importance at Emmi and is increasingly anchored in day-to-day business. As a strategic issue, Emmi handles sustainability at a global level and invests significant financial and human resources in this area.

As in its overall commercial activities, Emmi approaches sustainability with a clear focus on efficiency and implementation. Key sustainability areas over which Emmi has a relevant influence and where a real impact can be made were identified together with the various stakeholders.

Review

In its 2016 sustainability strategy, Emmi formulated binding sustainability targets to be achieved by the end of 2020 for the first time:

- 25 % reduction in greenhouse gas emissions (scope 1 and 2)
- Sustainability standard for all Swiss cow's milk suppliers
- 20 % less food and packaging waste
- Development goals for all employees

In the first few years, Emmi laid the groundwork for effective sustainability efforts: a strategy and the associated objectives were devised, an organisation developed, work carried out on raising awareness and alliances formed, for example with WWF Switzerland. However, measurable progress was already made in the area of reducing greenhouse gas emissions in the first year of the current target period. For example, by switching all locations in Switzerland and Europe to hydroelectric power, CO₂ emissions were reduced by 31,500 tonnes. It rapidly became clear, however, that other measures would be needed to move from the baseline of 139,000 tonnes (reference year: 2014) to the target of 105,000 tonnes (-25 %).

One of these is the connection of the Suhr site to the local district heating network (-5,500 tonnes of CO₂ per year), which will be completed in early 2021. The international Emmi companies are also increasingly contributing to the Emmi Group's CO₂-reduction targets. This is initially through reduction measures that are taken with the support of external and internal experts, usually on the basis of a professional energy analysis. This was the case at the Emmi Dessert Italia facilities in Gattico, Pero and Lasnigo in 2019. In addition, Emmi Österreich and Emmi Roth USA brought new photovoltaic systems with an annual production of around 870 megawatt hours online – which would cover the annual needs of some 200 households.

Thanks to the measures already mentioned and further initiatives, emissions were also reduced in 2019; the exact figures will be available at the end of March. The Group's own target of a 25 % reduction is therefore achievable, particularly since further measures are already underway in the current year, including commissioning of the first hydrogen-powered truck (as part of Emmi's membership of the H2 Mobility Switzerland Association), installation of heat recovery on the cooling system at the Kirchberg site and other measures to improve efficiency based on energy analyses. Other photovoltaic systems will also be brought online, including at Käserei Studer in Hatswil. Added to this are other measures outside of Emmi's own core activities, such as a programme to reduce travel, coupled with offset payments to compensate for emissions from flights still taken.

Emmi considers it has already reached its target for the focus area “sustainable milk”. After demonstrating little understanding for Emmi’s push for greater animal welfare and environmental protection at the end of 2016, a new standard for Swiss milk, with improvements in terms of sustainability, was introduced in autumn 2019 thanks to the determination of the entire Swiss dairy industry. As of the end of 2019, 88 % of the milk purchased already met this standard. The fact that dairy farmers were granted a transitional period until 2023 but that Emmi’s own target was set for the end of 2020 is acceptable from Emmi’s perspective. It is more important that the industry maintains the constructive dialogue and the level of ambition is raised.

The “pièce de résistance” proved to be the focus area “waste reduction”. Although the volume of food waste in Switzerland has been reduced by 18 % (11,138 tonnes) compared with the base year 2017 (13,448 tonnes), there are still challenges for Emmi in terms of waste. Just over 5 % of the target reduction of 20 % by 2020 was achieved (exact figures will follow at the end of March). For Emmi, this primarily involves production and packaging waste. However, Emmi’s internationalisation makes a uniform approach to this issue difficult as waste has no or little importance for many of Emmi’s international subsidiaries due to the regulatory environment in which they operate. Consequently, the first step was to introduce global waste monitoring, and then in a second step to develop and implement practical measures adapted to local circumstances. While Emmi continued to address smaller projects in 2019, such as an internal trading platform for surplus products or separate collection of recyclable materials (e.g. plastic at Redwood Hill, and paper and cardboard at Meyenberg), the plant in Tunisia, which accounts for the majority of operational waste, will focus on reducing waste in 2020. Emmi also wants to go a step further with regard to packaging. There are two lines of action here. First, own packaging, which is continuously being optimised in terms of material consumption and recyclability. For example, the plastic straw for the popular Yogi Drink is being replaced with a cardboard one, and Molkerei Biedermann is replacing the thick snap-on lid on its Bio-Lassi with a thin foil lid. Second – and with a focus on Switzerland – Emmi is advocating intensively for the modernisation of the recycling system together with other companies and organisations, including the association Prisma.

Good progress is being made in the focus area “employee development” at all Emmi facilities. The skills shortage is even more acute in many countries than it is in Switzerland. Advancing the company’s own employees helps in many respects here: knowledge is created and maintained, employees are motivated and attractiveness as an employer is increased. The requirement for each Emmi employee to have personal development goals strengthens awareness among managers that they are also responsible for the development of their staff. By communicating the Emmi management approach to local HR teams and managers, the current level of around 63 % should increase to close to the target of 100 % by the end of 2020.

Outlook

The desire for continuous improvement anchored in Emmi’s corporate culture also applies to sustainability. In previous years, work has therefore been carried out on the next stage of the sustainability strategy and targets in parallel to the current measures.

In the course of this, everything is consciously questioned, in particular the level of ambition and the areas themselves, with the result that sustainability at Emmi should in future be an even stronger of the Group’s identity and corporate DNA. Emmi aims to achieve this through continuity, among other things. The four focus areas defined in 2016 will therefore be retained. Various sustainability analyses and discussions over recent years have, however, also found areas that are important to the stakeholders but are not yet tackled to the desired extent by Emmi. One of these is use

of the valuable – and depending on the region, scarce – resource that is water. This has therefore been defined as a new focus area.

Emmi has set new, ambitious targets for all five focus areas with an end date of 2027:

Greenhouse gases

- -60 % direct CO₂ emissions (scope 1 and 2)
- -25 % CO₂ emissions in the supplier chain (scope 3)
- CO₂ neutral by 2050

To achieve these targets, Emmi continues to invest in energy-saving measures within its own businesses – on the basis of detailed energy analyses – and is planning to convert more of its plants to renewable energies. Thereby significant CO₂ savings should be achieved in its own businesses (scope 1) and indirectly in the production of energy services (scope 2) that are purchased (e.g. power generation). As milk production accounts for the majority of our emissions, in future Emmi will work on reducing greenhouse gases in its supply chain (scope 3).

Waste reduction

- -50 % waste and food waste in our facilities
- 0 % waste to landfill
- 100 % recyclable packaging

Within the focus topic “waste reduction”, the circular economy is becoming increasingly important at Emmi. This is where Emmi’s efforts in the areas of packaging and waste come in.

At Emmi, waste prevention is important for economic as well as environmental reasons. Classic waste management will also continue to be the responsibility of Emmi’s businesses, whereby, depending on the level of development, pragmatic successful concepts – such as those in Switzerland – can be adapted to local conditions and implemented. As part of its sustainability work, over the next few years Emmi will focus on waste that is incinerated or, depending on the country, disposed of in landfills. The latter is to be eliminated completely.

In the area of packaging, the aim is recycling capability. The total avoidance of plastics as the ultimate goal is not only utopian, but also makes little sense when it comes to the food industry. The benefits of these materials in the food industry are too numerous (e.g. longer shelf life, product quality, hygiene). The problem, however, lies with single-use plastics. Emmi is therefore committed to working intensively towards creating better recycling systems – this is a priority in Switzerland where Emmi carries great weight as a company. Other measures will include aligning the packaging used with these recycling systems.

Sustainable milk

- 100 % of Emmi milk suppliers worldwide produce according to a sustainability standard that is above average local requirements
- Further development of a sustainability standard for Swiss milk (swissmilk green)

Emmi's most important raw material, milk, generates added value in rural regions but is also associated with many sustainability issues. These are mainly ethical and social aspects relating to animal welfare, future sustainability and consumer protection. Emmi aims exclusively to process sustainable milk in future. An important step in this direction has been made in Switzerland with the introduction of an industry standard. Emmi supports the ongoing development of the standard. Comparable developments abroad are not to be expected, which is why Emmi and its suppliers will jointly develop approaches that are adapted to local conditions and exceed local requirements.

Employee development

- 100 % active further development
- 50 % of all vacancies filled internally

The knowledge and skills of our employees is one of our most important resources. By investing in the ongoing development of its employees, on the one hand Emmi creates access to a pool of qualified specialists, while on the other, it also takes its responsibility as an employer seriously.

Water consumption reduction

- -15 % own water consumption
- -50 % own water consumption in risk areas (e.g. Tunisia)
- Reduction of water consumption in the value chain

Clean water is becoming an increasingly scarce resource and some regions are severely affected. Therefore, in relation to this new focus topic, Emmi is focusing on water-scarce regions at risk. The commitment to reduce fresh-water consumption at Emmi's own companies by 50 % is to be achieved by using Swiss know-how, among other means. To use water efficiently in production, Emmi sees great potential in the optimised use of cleaning water, in new cleaning solutions and in cascade use. What's more, Emmi will take responsibility for water consumption within its value chain. Water scarcity is also a threat to the availability of important raw materials, such as milk, cocoa, sugar, coffee and almonds.

Emmi will communicate further details of its sustainability goals for the period 2021 to 2027 at a later date.