

SUSTAINABILITY

REPORT

2018/2019

MEGGLE GROUP



# ABOUT THIS REPORT

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The 2018/2019 MEGGLE Sustainability Report covers the reporting period for 2015–2019. The report constitutes MEGGLE Group's second public sustainability report. Quantitative data is listed chiefly for the headquarters and main production site in Wasserburg, Germany. In 2018, the production site in Wasserburg accounted for 41% of MEGGLE Group employees and 64% of turnover. Essential measures at other production sites are taken into account in accordance with the respective data availability and are marked separately. We are continuously working on improving the database for all of MEGGLE Group's fields of activities and sites.

The last public report was published in 2015 (reporting period: 2012–2014). This first Sustainability Report was not based on an international reporting framework. In 2017, an internal GRI report was compiled. The present report was created in accordance with the Sustainability Reporting Standards (SRS) of the Global Reporting Initiative (GRI), application level "CORE". This adjustment means that reference years, measurement methods and the scope of report of material topics and topic boundaries have been changed and extended in comparison to the 2015 public report. Topics of the report were compiled and prioritised based on the → [materiality assessment](#) and the transparency needs of MEGGLE's stakeholders.

During the reporting period there were no significant changes in terms of the size and structure of the organisation or its supply chain. Recently, in September 2019, the ownership of MEGGLE has been changed from a family owned company into the Toni MEGGLE Foundation.





The MEGGLE Sustainability Report 2018/2019 has not been assured externally. The Sustainability Report is reviewed and approved by the executive board of MEGGLE AG in its capacity as highest governance body of the MEGGLE Group. The next public Sustainability Report will be published in 2023.

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# DEAR READER,

Not long ago, sustainability issues belonged to the realm of concerned scientists and experts. Even recently, topics such as climate change, microplastics, CO<sub>2</sub> emissions, animal welfare and packaging waste were considered “trendy buzzwords”. Today, they have become an imperative for societies worldwide.

Coping with the global, incalculable consequences of this social and environmental short-sightedness and minimising the risks that result from this will also burden future generations. We can only have an approximate idea of the efforts required and of the economic costs involved. This also has significant consequences for a Group such as MEGGLE. The economic, social and environmental impacts will have significant repercussions on our company’s success over the next few decades.

Even today, sustainability issues pose major challenges. It is important to find a balance between today’s competitiveness and a sustainable economy for tomorrow. As an owner-operated family business, we have often mastered difficult challenges in the history of our Group in a sustainable manner. This is what makes us confident.

Since our last published [Sustainability Report](#), our awareness on the subject has evolved significantly. Investments and projects in the environmental and social responsibility fields are systematically considered part of our corporate design for the future, in all production locations. Key management tools have been set up to help us with governance and decision-making, including GRI and [carbon footprint reporting](#), as well as the rating experience of our [Sustainable Financing project](#).

Now it is time to tackle the next tasks, because for many of our customers sustainability is already part of the supplier qualification and individual aspects may even be a delivery requirement. We see the biggest challenges in the field of sustainable sourcing because the food industry, with its diverse suppliers, is under enormous price pressure. On the customer side, additional costs for sustainably made products cannot be passed on completely.



The agricultural sector in particular is feeling the pressure on prices as a supplier, with increasing social expectations on a variety of topics such as animal welfare, drinking water and climate protection, the use of pesticides and antibiotics, conventional or organic agriculture — themes that cannot be changed structurally from one day to the next. MEGGLE, with its often small-scale farming supplier areas, is convinced that only a cooperative, mutually supportive approach can lead to ecologically and economically justifiable, as well as socially responsible solutions.

If MEGGLE wants to remain in the market in the future, the focus must not be limited to short-term profit maximisation. Rather, the conflicting goals of short-term competitiveness and long-term strategic orientation must be continuously reassessed: This is the management’s central mission. In order to be successful in the long term, environmental and social sustainability services must be incorporated into decisions because they will no longer be requested, but demanded, by our stakeholders in the future.

Over the next few years, it will be our role to develop business models that help us to consciously shape our environmental and social footprint in a way that sustains responsibility for the future. We will continue to convince customers of the importance of our sustainability services and the associated costs. The involvement of our [suppliers](#) is, and remains, a considerable challenge which we will approach cooperatively but consistently, since only together can we master the coming challenges and secure the economic success of our Group.

On behalf of the management

**Marcus Hormuth** Member of the Board

1.

# ABOUT MEGGLE

“When you think of the future,  
you should not lose sight of your origins”

Toni Meggle

For more than 130 years, MEGGLE's recipe for success has been tradition, quality and constant innovation. The company was founded [by Josef Anton Meggle](#) as a small cheese dairy in southern Germany near Munich, and is now one of the most renowned producers of dairy products in Europe. Today, Toni Meggle, grandson of our company founder, is chairman of the supervisory board. In 2019, with the future in mind, and in order to preserve our independence, Toni Meggle transferred his entire stock and converted his family company into the Toni MEGGLE Foundation. As a medium-sized company, we can thus secure long-term jobs and remain true to our corporate values which have brought us success over more than a century. Despite its international success, the company's home region counts: MEGGLE's headquarters are still located in the Upper Bavarian town of Wasserburg am Inn.

## OUR PHILOSOPHY

Social responsibility and a sustainable long-term business approach have guided us right from the start. Our vision has remained the same since our company was founded in 1887, and our actions are guided by sustainability and social responsibility. This also applies to our companies operating upstream, and especially to [our numerous milk suppliers](#) with their responsibility for quality and environmentally-conscious management of their businesses.

We continue to improve our competitive edge in both the domestic and international markets with an attractive portfolio of [high-quality products](#)

and services. To make sure continue to enjoy success in markets featuring increasingly sophisticated customer demands and first-class competitors, our top priority is to work on continuous improvement.

We want to be open to new ideas whilst respecting our traditions of quality, creativity and flexibility. These are key factors driving our efforts to maintain the independence of our business. As an innovative, global brand, we want MEGGLE to grow through its customer service expertise.

### GEARED TO EXPANSION WHILE ALSO COMMITTED TO TRADITION

With roots in Bavaria, the southern region of Germany, we produce across Europe and distribute our products worldwide. For a complete overview, including our sales representation, see the [video](#) on our webpage.



● Headquarters ● Production site

### OPERATION SITES IN\*

21 COUNTRIES



### EMPLOYEES\*



2,403

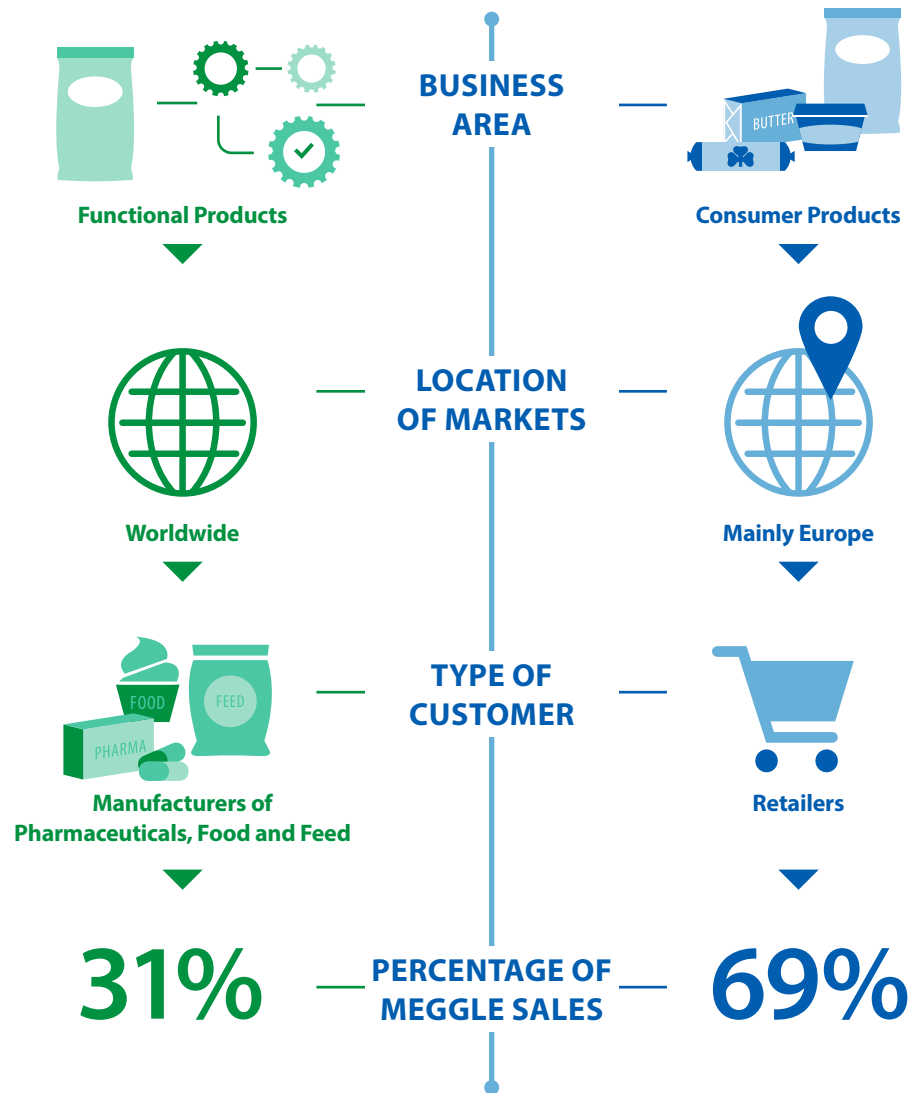
### TOTAL REVENUE\*

916 mn €



130+ YRS OF EXPERIENCE

\*MEGGLE Group



\*MEGGLE Group

## OUR PRODUCTS\*

Consumers all over the world value the high quality and the enjoyable taste of MEGGLE products. Both are based on more than 130 years of experience and the associated know-how from dealing with the valuable raw materials of milk and whey.

With our products, we serve a variety of markets and customers worldwide, in two sectors:

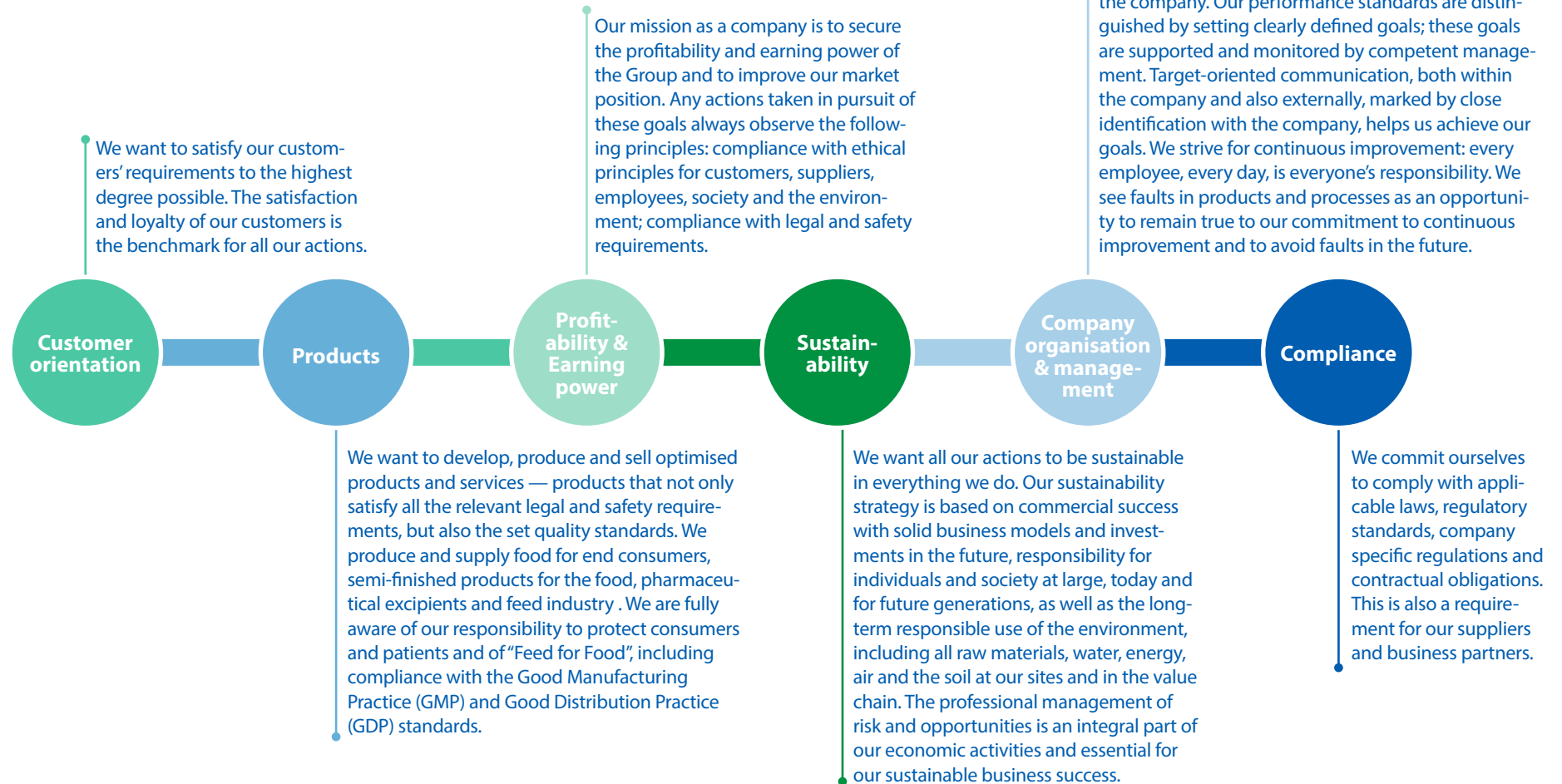
- **Consumer Products** include various dairy products such as milk, cheese, butter and cream, as well as filled baguettes for large scale and end consumers. These products are mainly distributed within regional European markets.

- **Functional Products** include dried dairy products and spray dried specialities for pharmaceutical, food and feed industries. These products are distributed worldwide.

For further details, see chapter on [→ Products](#).

# TRANSPARENT VALUES AND A STRONG COMMITMENT TO EXCELLENCE

## MEGGLE Corporate Policy





**Sustainability is our constant corporate mission**

**“It is part of our tradition to take responsibility for the environment and society. With future generations in mind, our major decisions take into account the long-term effect of profitability, use of resources, the environment, employees and society.”**

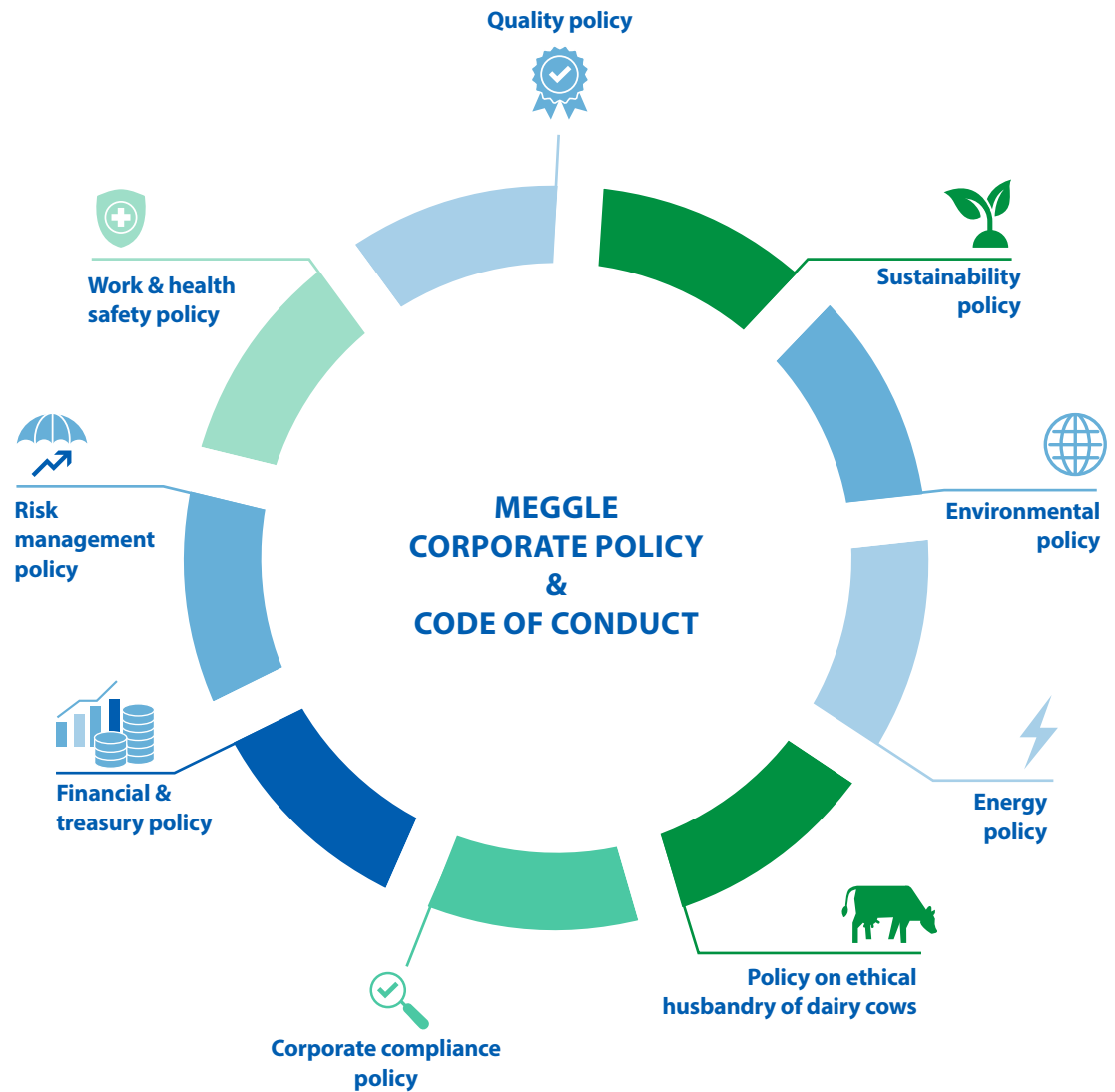
**Marina Meggle**  
Deputy Chair of the supervisory board

**Toni Meggle**  
Head of the supervisory board,  
grandson of our company founder

# OUR INTEGRATED MANAGEMENT APPROACH

MEGGLE Group is based on values and clear norms of behaviour. Policies form an integral part of our Management Manual, which is approved by senior management. All our policies, management systems and standards are part of an integrated management system, including management of sustainability topics. Verification is done by means of an internal auditing system, external audits and certifications.

## MEGGLE INTEGRATED MANAGEMENT SYSTEM



# MANAGEMENT STANDARDS

Our international business activities are based on a variety of management norms that guide us in our daily actions and help us implement our issue related → [management policies](#).

<b>Germany</b>	<b>Molkerei MEGGLE Wasserburg GmbH &amp; Co. KG</b>	<ul style="list-style-type: none"> <li>– ISO 9001 (Quality)</li> <li>– ISO 14001 (Environment)</li> <li>– ISO 50001 (Energy)</li> <li>– ISO 45001 (Health &amp; Safety)</li> <li>– Sedex Member and SMETA 4-Pillar-Audit (Sedex Members Ethical Trade Audit)</li> <li>– IFS International Featured Standard Food</li> <li>– GMP+ Standard B2 Quality Control of Feed Ingredients for Animal Feed (PDV)</li> <li>– Q+S System animal feed</li> <li>– FAMI-QS European Code of Practice for Feed Additive and Premixture operators</li> <li>– Organic (according Regulation (EC) No. 834/2007, No. 889/2008) for trading</li> <li>– RSPO (Roundtable on Sustainable Palm Oil) Supply Chain Certification System</li> <li>– IPEC-PQG GMP Guide Pharmaceutical Excipients</li> <li>– EXCiPACT (GMP and GDP for Pharmaceutical Excipients)</li> <li>– Halal for defined lines</li> <li>– Kosher for defined lines</li> <li>– VLOG (Non GMO) for defined lines</li> </ul>
<b>Germany</b>	<b>M-Back GmbH</b>	<ul style="list-style-type: none"> <li>– ISO 50001 (Energy)</li> <li>– Kosher for defined lines</li> <li>– IFS International Featured Standard Food</li> <li>– RSPO (Roundtable on Sustainable Palm Oil) Supply Chain Certification System</li> <li>– Sedex Member</li> </ul>
<b>Slovakia</b>	<b>Rajo a.s.</b>	<ul style="list-style-type: none"> <li>– ISO 9001 (Quality)</li> <li>– ISO 22000</li> <li>– ISO 14000*</li> <li>– Kosher for defined lines</li> <li>– Halal for defined lines</li> <li>– IFS International Featured Standard Food</li> <li>– RSPO (Roundtable on Sustainable Palm Oil) Supply Chain Certification System</li> <li>– Sedex Member</li> </ul>
<b>Bosnia and Herzegovina</b>	<b>MEGGLE Mljekara d.o.o. Bihać</b>	<ul style="list-style-type: none"> <li>– IFS International Featured Standard Food</li> <li>– Halal for defined lines</li> </ul>
<b>Croatia</b>	<b>MEGGLE Hrvatska d.o.o.</b>	<ul style="list-style-type: none"> <li>– IFS International Featured Standard Food</li> </ul>
<b>Serbia</b>	<b>MEGGLE Srbija d.o.o.</b>	<ul style="list-style-type: none"> <li>– ISO 22000</li> <li>– EAC Certificate for the Customer Union EACH</li> <li>– Halal for defined lines</li> <li>– IFS International Featured Standard Food</li> </ul>
<b>Bulgaria</b>	<b>MEGGLE Bulgaria eood.</b>	<ul style="list-style-type: none"> <li>– ISO 22000</li> <li>– IFS International Featured Standard Food</li> </ul>

\*since 2019

EMPLOYEES MEGGLE GROUP



**2,403**

MEGGLE Group (total)

thereof...

**9**

MEGGLE AG

**1,253**

Molkerei MEGGLE Wasserburg GmbH & Co. KG\*

**1,109**

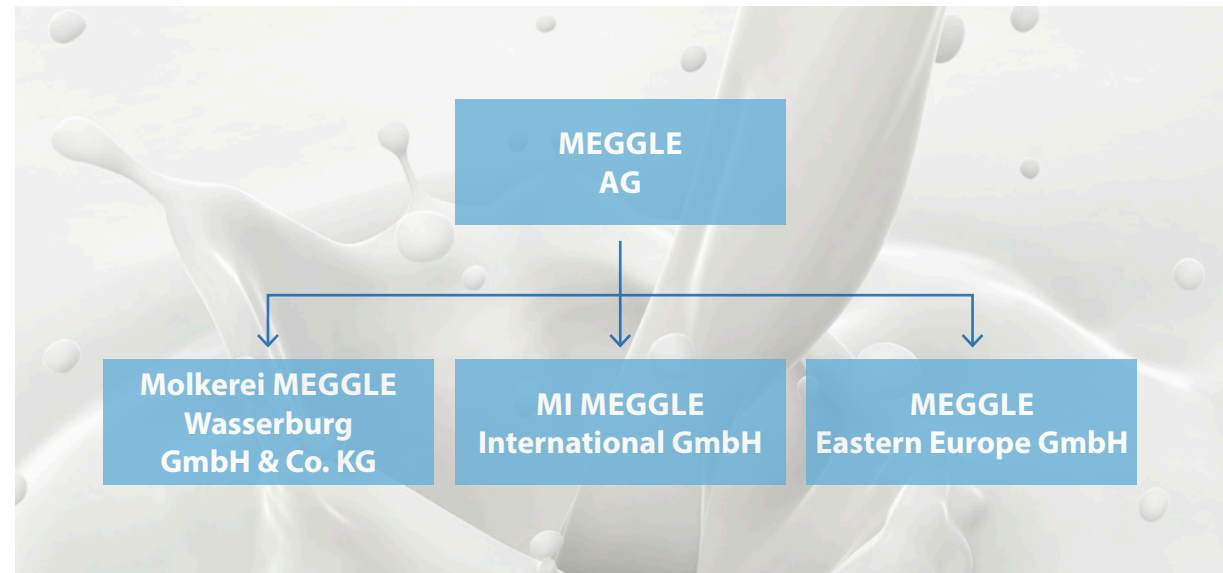
MEGGLE Eastern Europe GmbH

**32**

MI MEGGLE International GmbH

\*incl. production site Wasserburg (931 employees), M-Back GmbH (322 employees)

ORGANISATIONAL STRUCTURE



MEGGLE AG is the holding company that bundles the activities of our individual businesses.

At our headquarters and production site in Wasserburg (Molkerei MEGGLE Wasserburg GmbH & Co. KG), we focus on the production of butter and butter specialities, convenience products for consumers, products tailored to the food service and catering market, as well as functional powdered products for the food, pharmaceutical and animal feed industries. This constitutes the core business of the MEGGLE Group.

Molkerei MEGGLE Wasserburg GmbH & Co. KG holds a majority stake in M-Back GmbH, based in Gebese, Germany, which produces bakery products.

MI MEGGLE International GmbH was formed with the aim of further expanding the distribution of our functional powdered products. It has offices in Tokyo, Vienna, Shanghai, Singapore, São Paulo, Dubai, Istanbul and Pawling/USA. In Odessa, Ukraine, MEGGLE International maintains a competence centre for research (Formulab LLC) for our business unit Excipients & Technology.

MEGGLE Eastern Europe GmbH is our umbrella organisation for all subsidiaries in Eastern Europe. It focuses on the production and distribution of yogurts, milk, cream products, cream cheese and white cheese. MEGGLE Eastern Europe GmbH numbers five production sites in Slovakia (Rajo a.s.), Bosnia and Herzegovina, Croatia, Serbia and Bulgaria.

2.



# OUR APPROACH

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**"We strive to act sustainably in everything we do."**

MEGGLE Corporate Policy



### GRI REPORTING\*

In 2017, we professionalised our data management and reporting practice and assembled our first internal report based on the Sustainability Standards of the Global Reporting Initiative (GRI). This report is our first public Sustainability Report in accordance with GRI application level "Core".

### CORPORATE CARBON FOOTPRINT\*

In 2018, we compiled our first corporate carbon footprint analysis. The analysis serves as a compass for our future actions regarding our CO<sub>2</sub> footprint. See also our chapter on → Environment.



\* Wasserburg site

## OUR INTEGRATED MANAGEMENT PRINCIPLES AND BUSINESS GUIDELINES

MEGGLE's Management Principles and Business Guidelines are based on the inclusion of Sustainability Principles in practice (see also chapter → [About MEGGLE](#) for our Integrated Management System).

MEGGLE is based on solid business models and commercial success, enabling us to invest in the future and to carry responsibility for individuals and society both now and for future generations. Our sustainability approach takes into account the long-term, responsible use of the → [environment](#) — raw materials, water, energy, air and soil — at our operations as well as along the entire → [value chain](#).

We are convinced that sustainability issues have become a major management task which requires effective leadership and cross-functional efforts by virtually all departments of the company.

As described in our → [Sustainability Policy](#), our long-term success is essentially linked to sound, ecologically balanced systems and fair, trusted relationships with stakeholders.

Our Sustainability Policy and → [Strategy](#) are binding for the entire MEGGLE Group. Regarding our worldwide production sites, the degree of implementation of sustainability measures and quality of data vary. We therefore decided to report transparently

on data mainly for our production site in Wasserburg, Germany, and showcase relevant projects and achievements of our various production sites.

## RESPONSIBILITIES IN SUSTAINABILITY

Taking into account the cross-functional nature of sustainability management, we have organised responsibilities in a matrix structure. For efficient progress we have established three major levels of sustainability responsibility to ensure our sustainability performance. With this structure, we want to promote the long-term motivation for sustainability throughout the company and use the wealth of perspectives for sustainable decisions:

- 1. Leadership and overall responsibility** has been assigned to the Executive Board under the guidance of the CEO for Functional Products in 2019.
- 2. Sustainability management system responsibility** has been assigned to the Director of Quality & Sustainability, with a focus on the Sustainability Management System, communication, design, installation, verification, reporting, customer service, audits, ratings and system development.
- 3. Sustainability responsibilities in operations** are rooted in all departments of the company.

# RISK MANAGEMENT AND MANAGEMENT REVIEWS

Sustainability topics have become an integral part of MEGGLE's established risk management, which summarises our biannual evaluation of risks and opportunities. Sustainability risks and opportunities are extrapolated from our analysis and understanding of major → stakeholder inputs, as well as social, political, economic and technical impacts. Sustainability topics, especially climate change, linked to political and social impacts, are currently considered as significant, with impacts on business, costs and revenues. The resulting sustainability risks and opportunities then become integrated into our → Sustainability Strategy and annual sustainability objectives.

We assess our sustainability approach annually and decide on the appropriate adjustments needed. We evaluate our established sustainability management processes, strategy, goals and performance. Results are summarised in the Sustainability Review.

Since 2017, an internal annual reporting process according to GRI ('Comprehensive') has been set up for the production site in Wasserburg.

# WITH FORESIGHT AND COOPERATION TOWARDS CONTINUOUS IMPROVEMENT

## MEGGLE Sustainability Policy





**IN LINE WITH THE SUSTAINABLE DEVELOPMENT GOALS (SDGs)**

Our Sustainability Strategy is in line with the  Sustainable Developments Goals, including sub-goals and KPIs. With our business activities we contribute to the SDG mentioned above. Launched in 2015 by the United Nations, the 17 goals constitute a global roadmap for a fairer and more sustainable future.

**OUR STRATEGY —  
CREATIVE POWER FOR  
OUR FUTURE**

Sustainability has become an integral part of our general strategic approach for the company's future. Our Sustainability Strategy is based on a thorough assessment of our key impacts resulting from stakeholder expectations, environmental and social impacts of our operation along our value chain. In order to make our Sustainability Strategy operational, we update and monitor targets, measures and KPIs annually.

Key strategic environmental topics for our production sites include the improvement of our → [ecological footprint](#) with reference in particular to water, energy, waste, and wastewater. In addition, the indirect ecological impacts of our → [value chain](#) have become a very significant and complex challenge for many of the raw materials we use.

The main strategic social topics for all our production sites lie in the strategic development of our employer brand for the next generations. Food production activities often do not match the job expectations of the younger generations. Although MEGGLE can look back on an excellent employer image, we are very aware that we have to protect and manage our asset of → [human capital](#) carefully.



# SUSTAINABILITY STRATEGY 2025

Our business success is intrinsically tied to the expectation of our stakeholders: not only by the use of our products and services, but also through our responsible actions for the future.



## OUR ASSETS

The value of our service to our stakeholders and their confidence in our reliability and credibility are the basis of our business success.

Our performance is based on our responsibility for today and for the future.



## OUR MOTIVATION

MEGGLE stands among the international competition, in complex supply chains and demanding product segments on the supplier as well as on the customer side. The trust in the quality and reliability of our services and products represents a fundamental asset for the company's continued existence.

Our stakeholders' ethical expectations regarding manufacturing, raw materials, environmental and social responsibility as well as business practices are already driving our success today. The ethical expectations extend to the entire supply chain and generate complex demands.



## OUR OBJECTIVES

The value of our service to our stakeholders and their confidence in our reliability and credibility are the basis of our business success. Our performance is based on our responsibility for today and for the future. MEGGLE consistently deals with stakeholder expectations in order to be a reliable, long-term partner in particular for its customers. By 2025, we will have focused on the following topics:

### Environment

- Reduction of water and energy consumption
- Minimising emissions, waste, water, dust, noise
- Climate: reduction of our carbon footprint
- Packaging materials: reduce, recycle, reuse

### Social

- Work on healthy working conditions for all our employees
- Reduce work-related accidents
- Focus on personal qualification programmes
- Raise employee satisfaction and commitment

### Supply chain

- Animal welfare and animal health
- GMO-free milk production
- Social standards for all suppliers
- Sustainable palm oil
- Climate change mitigation

### Governance & management measures for guidance, control and strategic planning

### ECOVADIS RATING\*



Since 2016 we have participated in the [EcoVadis sustainability rating](#). This has become an important basis for exchange around sustainability aspects with our customers.

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### CDP RATING\*



Since 2017, MEGGLE has taken part in the [CDP Rating](#), which supports and encourages us in our strategic approach to water and energy.

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\* Wasserburg site

## PROGRESS, CHALLENGES AND PERFORMANCE

Since our 2015 [Sustainability Report](#), significant progress has been achieved at all sites. However, even more important than individual projects is the overall increase of perception, mindset and approach around aspects of sustainability.

Irrespective of multifaceted progress, we also experience significant challenges in our efforts. We see the complexity, cost and time commitment of many projects. We also face technological obstacles which sometimes enforce limitations.

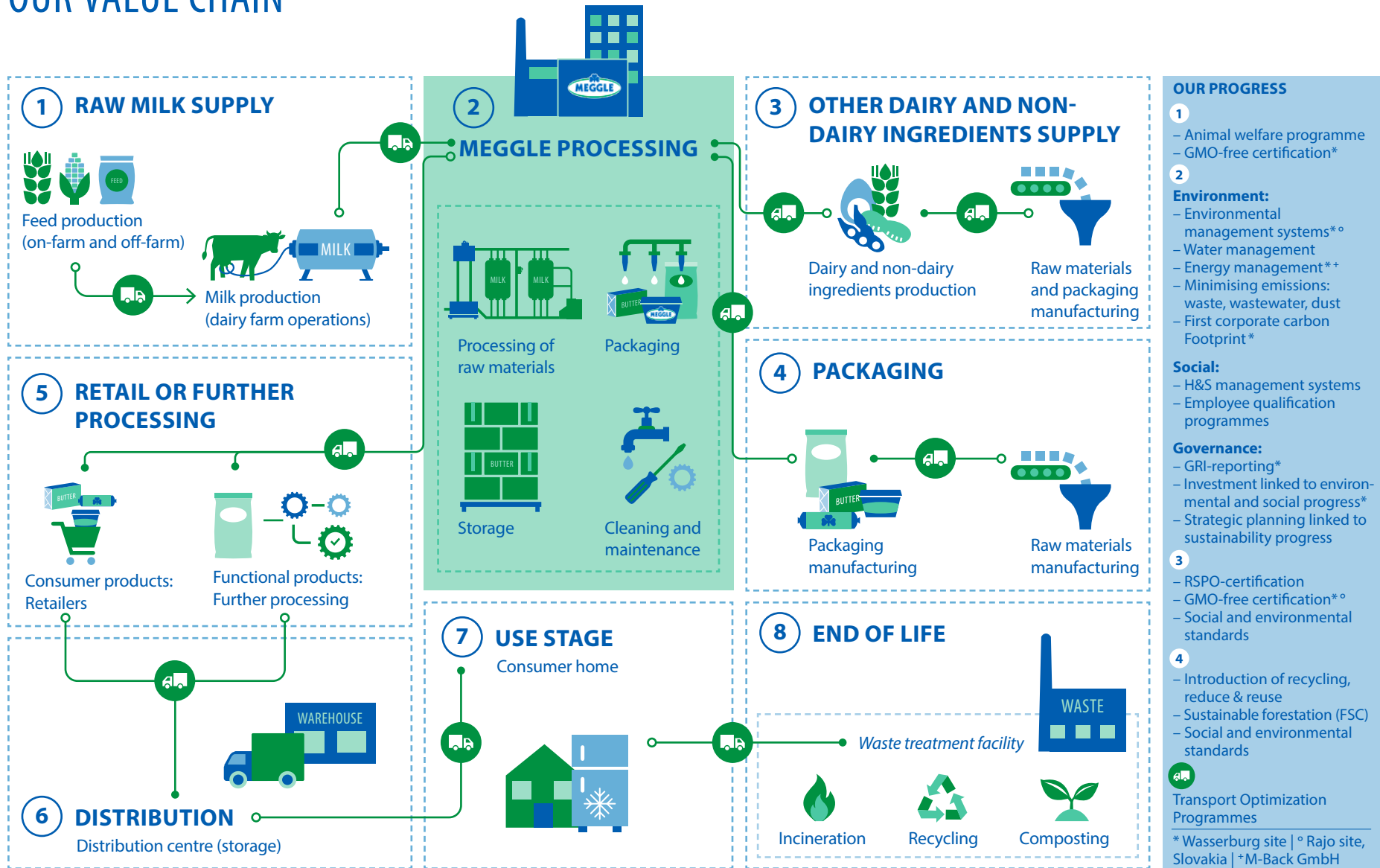
In our global markets, we experience that consumers' and customers' willingness to pay for more sustainable products varies. Even in markets where society is convinced of sustainability values, consumers' purchase behaviour is often inconsistent. In consequence, we have to balance our efforts and dedicate our best endeavours, using our sustainability performance as a competitive factor and differentiator.

Our suppliers face similar challenges. Dairy farmers in particular struggle with economic challenge, climate change and the changed perception of animal welfare in society.

MEGGLE sites are regularly audited and rated for their sustainability performance according to international standards. For many customers, sustainability performance has become a criterion for supplier qualification programmes. Some of our customers therefore regularly assess our sustainability performance via in-depth audits at our production sites.



# OUR VALUE CHAIN



3.



# MATERIALITY & STAKEHOLDERS

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MEGGLE Group is committed to identifying key sustainability tasks through a close exchange with our value chain partners and further stakeholders.

MEGGLE Group has a strong tradition regarding ongoing dialogue with our key stakeholders. We are aware of the diverse, mutual interactions of stakeholders with our company and do our best to involve stakeholder expectations in our evaluation of sustainability topics. Due to the enormous and complex sustainability challenges, our progress is intrinsically linked to the common effort with, and the collaboration of, our stakeholders. We therefore consider continuous stakeholder engagement a strategic instrument.



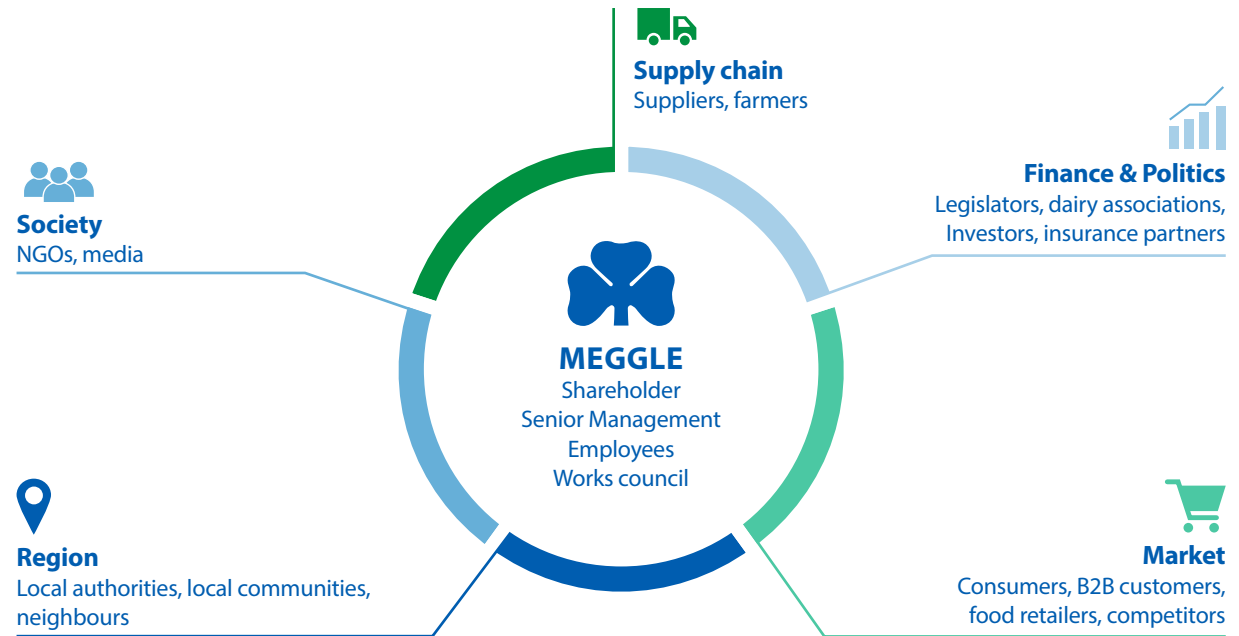
## OUR STAKEHOLDER APPROACH

MEGGLE Group is committed to interacting responsibly and consciously with its diverse range of stakeholders in order to proactively recognise and evaluate opportunities and risks at an early stage. Dialogue with our numerous internal and external stakeholders is conducted according to internally assigned business responsibilities and appropriate dialogue channels. Stakeholder engagement is

carried out by employees at all levels within the organisation and often forms part of their daily work. Understanding the variety of expectations and quite often differing interests of our stakeholders is challenging but crucial for our long-term business performance.

We use our ongoing stakeholder consultation to support our highest governance body's identification and management of economic, environmental and social topics along with their impacts, risks and opportunities. Key topics are discussed at the monthly executive board meeting and reviewed in our yearly Sustainability Management Review.

### MEGGLE'S STAKEHOLDER LANDSCAPE



Key Topics 2015–2019	Actions taken	Stakeholder Group	
<b>Environmental</b>	Water management	Water management projects **	Local communities, local authorities, customers
	Wastewater	Wastewater projects **	Local communities, local authorities
	Waste reduction	Waste reduction projects **	Executive board
	Energy reduction	Energy reduction projects **	Executive board, customers
	Corporate carbon footprint	CCF project *	Executive board, customers
<b>Social</b>	Health & Safety management	Various projects **	Executive board, customers, insurance, works council, all departments, employees
	Personnel qualification programmes	A huge variety of projects and programmes **	Executive board, all departments works council, employees
<b>Supply chain</b>	Animal welfare	Animal welfare projects *, +, @ (Croatia only)	Consumers, retailers, dairy farmers
	Sustainable palm oil	RSPO Certification *, °, +	Consumers, retailers, palm oil suppliers, certification bodies
	GMO-free dairy products	VLOG certification (German non-GMO food certification) *	Consumers, retailers, suppliers of dairy ingredients and farmers certification bodies
	ETI Base code BSCI Code	System installation *, @ (Serbia only)	Consumers, retailers
	Environmental improvement of packaging material	Defined projects **	Consumers, retailers, waste disposal systems, suppliers
<b>Governance</b>	Long-term company structure	Generation change in the management board, restructuring of the company, communication of changes **	Shareholder, employees, works council, suppliers including farmers
	Long-term company strategy		Shareholder, employees, works council, suppliers including farmers
	Long-term company strategy financing structure		Shareholder, executive board, financiers

\* Wasserburg, + Rajó, Slovakia, ° M-Back GmbH, @ South Eastern Europe sites | \*\* all sites

## KEY STAKEHOLDER TOPICS AND ACTIONS

In order to chart stakeholder expectations and keep up to date with current and relevant developments, engaging with our key stakeholders is part of our daily business. This concerns our owner, dairy farmers, employees, customers, suppliers, government bodies, financiers, NGOs and society in general. In identifying the stakeholders, consideration is given to the extent to which they are affected by, or involved in our activities. For details regarding the key topics listed below, see the chapters → [Environment](#), → [People](#), → [Supply Chain](#) and → [Business Practices](#).

# MATERIALITY ASSESSMENT

Sustainability topics are highly versatile and often complex. MEGGLE applies the materiality principle to determine which issues have a significant impact on our stakeholders and our company. We define the materiality of a topic through a four-step process:

## 1. Analysis

Annual analysis of relevant topics, such as trends and developments resulting from our broad stakeholder communication.

## 2. Prioritisation

Our prioritisation process distinguishes between significant social, environmental and economic issues. The impact on MEGGLE and on external stakeholders is evaluated based on the outcome of stakeholder communication. Since we have had well established dialogue in place for many years and continuously interact with our stakeholders regarding sustainability topics, we do not carry out a separate external stakeholder consultation in the materiality assessment process.

## 3. Mapping

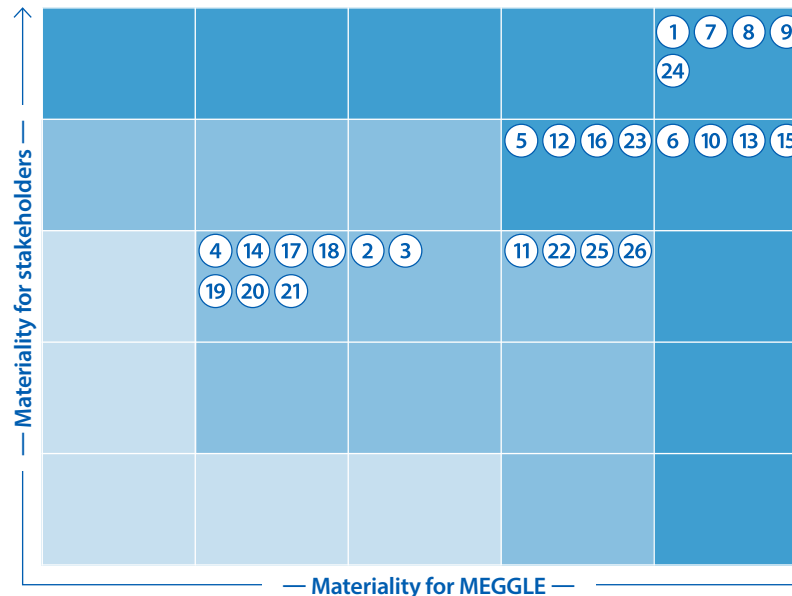
The result of the analysis and the prioritisation is transferred into a materiality matrix in which the relevant subjects are mapped according to a scale of relevance. Topics which are of general importance but well organised and controlled in the company are assigned a low relevance scale.

## 4. Executive Priority

Topics which are evaluated as high or very high either by MEGGLE or the stakeholders are presented to our executive board which decides on further

actions. These might lead to a change in our sustainability strategy or our risk management, or can result in dedicated projects addressing the topic in question. Projects are assigned with responsibilities and reporting duties to the executive board.

**MEGGLE MATERIALITY MATRIX 2019**



- Not material
- Low relevance (material aspects fully covered by established management practices)
- High relevance (material aspects that are strategic priorities)

For the sake of clarity and comparability we have structured our assessment of materiality around the topic definition offered by the GRI. Supply chain topics which are not explicitly covered by the GRI such as animal welfare, sustainable palm oil, GMO free feeding and milk production on dairy farms are subsumed under GRI 301, Materials.

### GRI 200: Economic

- 1 GRI 201: Economic performance
- 2 GRI 202: Market presence
- 3 GRI 203: Indirect economic impacts
- 4 GRI 205: Anti-corruption
- 5 GRI 206: Anti-competitive behaviour

### GRI 300: Environmental

- 6 GRI 301: Materials
- 7 GRI 302: Energy
- 8 GRI 303: Water
- 9 GRI 305: Emissions
- 10 GRI 306: Effluents and waste
- 11 GRI 307: Environmental compliance
- 12 GRI 308: Supplier environmental assessment

### GRI 400: Social

- 13 GRI 401: Employment
- 14 GRI 402: Labor management relations
- 15 GRI 403: Occupational health and safety
- 16 GRI 404: Training and education
- 17 GRI 405: Diversity and equal opportunities
- 18 GRI 406: Non-discrimination
- 19 GRI 407: Freedom of association and collective bargaining
- 20 GRI 408: Child labor
- 21 GRI 409: Forced or compulsory labor
- 22 GRI 413: Local communities
- 23 GRI 414: Supplier social assessment
- 24 GRI 416: Customer health and safety
- 25 GRI 417: Marketing and labelling
- 26 GRI 419: Socioeconomic compliance

## LOCAL COMMUNITIES AND AUTHORITIES

At our headquarters and main production site in Wasserburg, Germany, we have a long tradition of engaging with our local community. Measures taken and dialogue channels evolve around the current needs of our local stakeholders and regional topics.

MEGGLE is by tradition firmly rooted in the regions in which we operate. Therefore, in our view, social responsibility for our local communities also includes the wellbeing of our employees beyond working hours. The MEGGLE Emergency Fund is in place at our headquarters in Wasserburg, as well as at our international sites, and offers support to employees who find themselves struggling with difficult private circumstances.

MEGGLE also engages with various projects and associations. We support regional sport, culture and social life in local communities. Examples of our sponsoring activities include:

- The [“MEGGLE Gründer-Preis”](#), an annual award for successful, innovative local entrepreneurship in Germany
- Sponsorship of the IMMLING opera festival at Gut Immling in Germany
- Sponsorship of the Duga (rainbow) orphanage in Bosnia & Herzegovina
- Participation in the “Clean the rivers and lakes” action on lake Gruza’s shores in Serbia
- Donation to a hospital in Osijek in Croatia, after a storm caused severe damage to the roof
- Sponsorship of riding for the disabled

## LOCAL WATER MANAGEMENT

MEGGLE is a public water supplier in Wasserburg, and bears the responsibility for approximately 200 households in our neighbourhood. Since 1967, we have been operating a well near the company site. At our production site, water is used for production functions, cooling and cleaning. In collaboration with the relevant authorities, we are monitoring the water quality with great care. In 2018, our water management has been called into question by a local initiative group. MEGGLE transparently communicated with the group, listened to their concerns and took their input into account when setting up a water management project.

After almost 50 years of serving as a public water supplier, this stage will come to an end in the next years. MEGGLE will, in close cooperation with the local authorities and within a mutually acceptable time frame, hand over public water supply to the local community in charge.



## EXTERNAL INITIATIVES AND MEMBERSHIPS

MEGGLE endorses or supports the following external charters, principles and initiatives:

- Ethical Trading Initiative [ETI Base Code](#)
- [SEDEX Member](#)
- [Umweltpakt Bayern](#) (Environmental Pact Bavaria)

Furthermore, we are a member of the following associations and interest groups:

- [Milchindustrie-Verband e.V.](#) MIV (German Dairy Association)
- [Deutscher Verband Tiernahrung](#) DVT (German Association for Animal Feed)
- [Lebensmittelverband Deutschland e.V.](#) (Food Federation Germany)
- [Arbeitgeberverband der Bayerischen Ernährungswirtschaft e.V.](#) ABE (Employers’ Association of the Bavarian Food Industry)
- [Forschungskreis Ernährungsindustrie](#) FEI (Research Association of the German Food Industry)
- [Deutsche Landwirtschaftsgesellschaft e.V.](#) DLG (German Agricultural Society)



4.

# PRODUCTS

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Turning the best raw materials into top quality products



### Bulk Consumer Service

For many years now, professional caterers working in community catering, hotels, restaurants and general catering have been relying on the efficient MEGGLE Food Service. In addition to butter and the great variety of butter preparations, the MEGGLE range also comprises different products from the business area of cream. The factors which differentiate our range and what our wholesale partners can always rely on, are high-quality products, clear and easily comprehensible customer benefits, outstanding taste and good value for money.

**“As the inventor of the butter portion and the market leader in butter specialities, we have incomparable expertise.”**

MEGGLE offers a broad range of dairy products, partly for regional markets and partly for the global market. Intensive communication among our five business areas, listed below, and sharing of know-how and experience ensures that the company takes a broader view, and that it also creates synergies that flow into our product development and ultimately benefit our customers. We can look back on more than 130 years of experience and the associated know-how from dealing with the precious raw materials of milk and whey.

## CONSUMER PRODUCTS

### Consumer Products

Different markets, different needs: the MEGGLE Consumer Products Business Unit meets those needs, satisfying customers' wishes in tune with the specific requirements of the individual country and market. Our product range is extremely wide. Whether cream, butter specialities, yogurts and desserts, cheese and spreads or our chilled baguettes — in addition to the signature products of premium butter and the original herb butter, MEGGLE products enrich the everyday life of our customers.





## TOP GRADES FOR PRODUCT QUALITY

In 2019, German consumers chose MEGGLE as the leading quality supplier of butter and cream. As part of the [“Deutschland Test”](#) by German news magazine Focus Money, 1,500 well-known brands were tested for their product quality by a consumer panel of 1,000 participants. The opinion of independent consumers shows that the MEGGLE brand is very closely linked to outstanding quality.

Furthermore, in 2018, our operation site in Bosnia and Herzegovina received a stream of medals for product quality at the 56th International Fair of Agriculture and Food held in Gornja Radgona, Slovenia. With five

gold medals, four silver medals and two bronze medals, MEGGLE once again excelled as a leading manufacturer of dairy, yoghurt and cheese products.

For many years now, Molkerei MEGGLE Wasserburg GmbH & Co. KG has received the renowned German DLG award for food quality, in 2019 for our blended spreads (salted and unsalted). [DLG e.V.](#) — the German Agricultural Society — is an open network and international leader with regard to their quality inspections for food as well as agricultural technology and operating materials.



**Over the years, MEGGLE has been honoured with numerous awards for product quality**

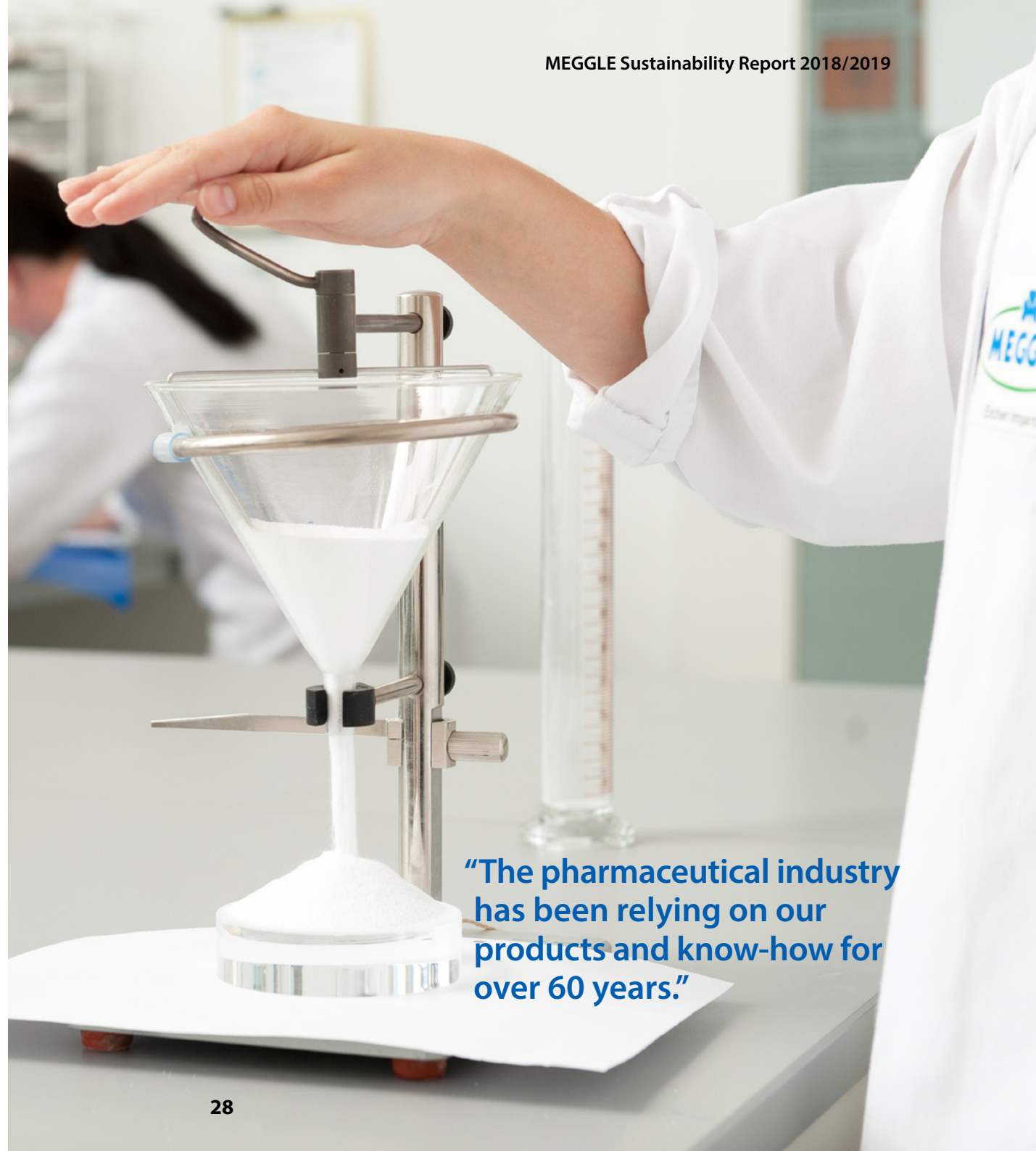
## FUNCTIONAL PRODUCTS

### Excipients & Technology

Our Excipients & Technology Business Group is a valued partner for the pharmaceutical industry. Having been in the market for more than 60 years, we have developed a multifaceted product portfolio: pharmaceutical excipients for direct compression, granulation, capsules, sachets, powder blends and dry powder inhalers. With its broad product portfolio, intelligent innovations and exceptional product quality, MEGGLE has taken a leading role in the global business of pharmaceutical excipients and is prepared to meet customer expectations worldwide.



MEGGLE is among the industry leaders in the manufacturing and distribution of lactose and co-processed excipients



**“The pharmaceutical industry has been relying on our products and know-how for over 60 years.”**



Dairy



Nutrition



Savoury



Bakery & Sweet

## FUNCTIONAL PRODUCTS

### Food Ingredients — solutions for the food industry worldwide

MEGGLE's Food Ingredients & Solutions Business Group produces and distributes ingredients and solutions for the food industry worldwide. Our products are based on the raw materials of milk and whey and are used as ingredients in the food industry. Many years of experience have given us the opportunity to advise our customers on development and production, and provide customer-specific solutions. The Business Group Food Ingredients & Solutions is all about customer-focused service — individual expert assistance right from the first meeting to a reliable delivery.



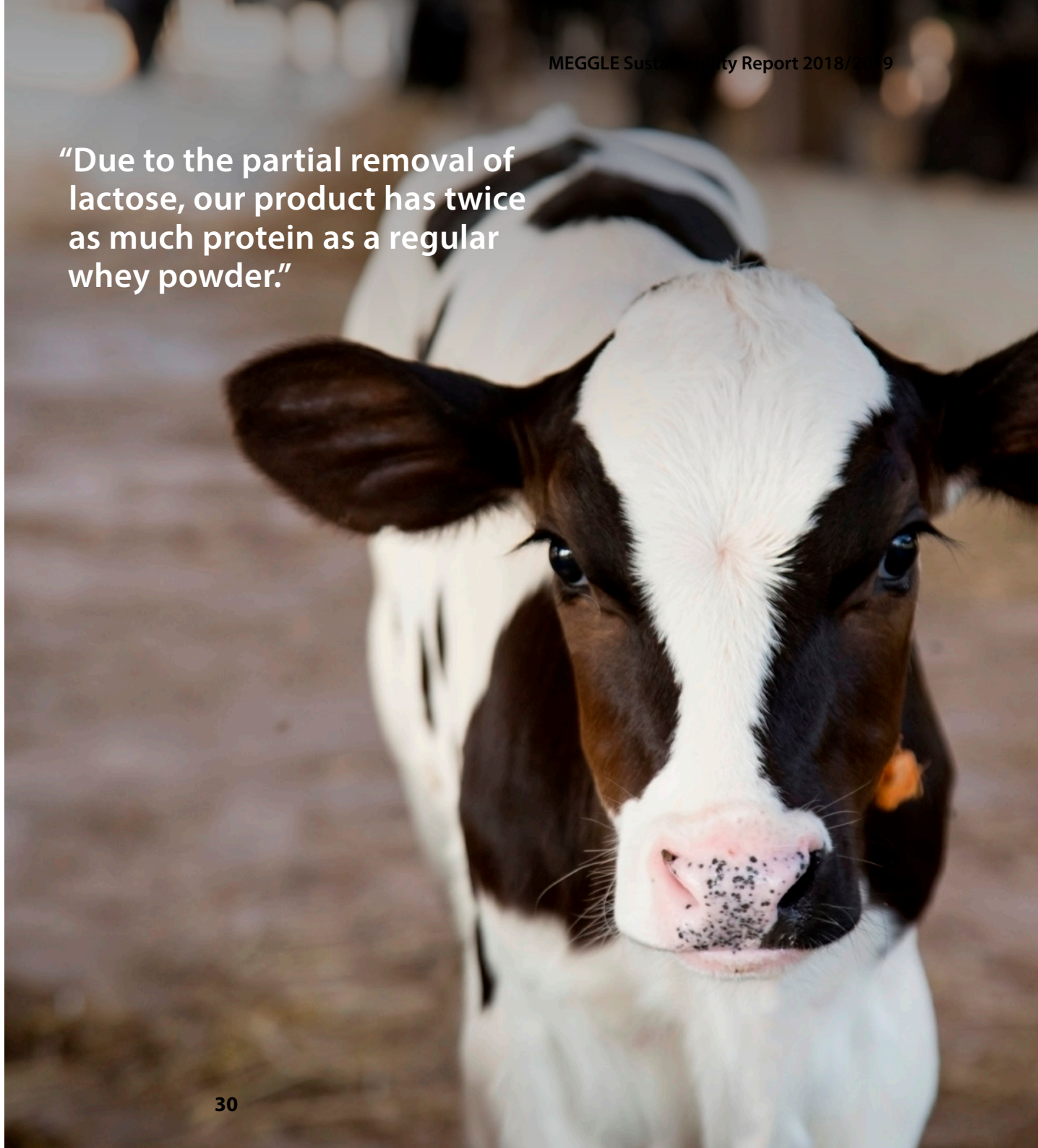
Single Ingredients

“Due to the partial removal of lactose, our product has twice as much protein as a regular whey powder.”

## FUNCTIONAL PRODUCTS

### **Feed Ingredients — ideal whey based products for the feed industry worldwide**

Our Feed Ingredients Business Group is specialised in producing and distributing partially delactosed whey powders worldwide. Due to the partial removal of lactose, our product has twice as much protein as a regular whey powder. Partially delactosed whey powders are ideal components for use in the milk replacer, compound feed and pet food industries and are regarded as extremely high-quality sources of protein compared to regular whey powders. Highly specialised technologies and state-of-the-art production plants enable us to also manufacture combined products made from vegetable fat and partially delactosed whey powders.





new product concepts, engineering technologies, ingredients and packaging. We also strive to improve sustainability impacts in our existing lines and products:

- **Supply chain:** animal welfare, packaging materials, promotion of GMO-free feed
- **Engineering technology:** water savings, energy savings
- **Product and packaging design:** reduction of materials, increase of material recycling rate.

## PATIENTS' & CONSUMERS' HEALTH AND SAFETY

We examine all of our product and service categories regarding their effects on health and safety during their entire life cycle. All colleagues are highly aware of their responsibility due to the impact on consumers' and patients' health and safety through our products.

Our [→ quality management system](#) forms the basis of continuous and reliable quality to guarantee health and safety in our products. All MEGGLE sites have established high level international [→ quality standards](#) which are verified and certified by independent third parties.

Additionally, all our operating sites are legally controlled by the relevant authorities regarding potential impacts on product safety. On top of inspections and certification audits, we routinely receive a high number of [→ customer audits](#).

## HIGH QUALITY STANDARDS — A SUSTAINABLE FOUNDATION

Product quality and safety as well as efficient customer service are the basis for reliability and confidence in MEGGLE, and thus form a major foundation of our business success. Product quality and safety are rooted in our responsibility towards consumers, customers and patients who consume our products in the form of medicines, food and animal feed.

We strive to maintain our high quality standards with continuous improvement in all our operations and with all our colleagues on board. Our efforts in sustainability follow the same approach and have

therefore been integrated into our management system. We are consciously engaged on the path towards greater sustainability. This needs the coordinated and complex endeavour of all our colleagues at MEGGLE as well as targeted collaboration with our customers and suppliers.

The shared understanding of product responsibility in business is no longer limited to product quality and safety but also implies long-standing responsibility for ESG issues. MEGGLE tries to find future-oriented and competitive sustainability approaches in



## MARKETING AND PRODUCT LABELLING

Legal and honest labelling and marketing approaches are rooted in our management principles and in our organisational structure. All marketing and labelling designs including aspects which could mislead consumers are assessed for legal compliance. In the reporting period for 2015–2019, we faced one legal case where MEGGLE’s labelling design for a consumer product was legally considered misleading and had to be changed. In our B2B business, extensive and reliable information is a prerequisite for our customers’ correct information to the consumer.

## SAFE USAGE AND DISPOSAL OF PRODUCTS

As far as our consumer products are not “ready to eat”, product preparation conditions and consumers’ understanding are pre-tested and checked for safe usage of the products. In our B2B business, safe usage of our products also requires information on labour safety, e.g. when our products are transported and processed further. For this purpose, MEGGLE supplies Material Safety Data Sheets on a voluntary basis.

Our focus on the disposal of our products is currently linked to the packaging material used:

- All consumer products sold in Germany are licensed by [Der Grüne Punkt](#) – Duales System Deutschland GmbH, a dual system for recycling. The corresponding logo is printed on each product’s packaging.
- B2B products in paper bags are part of the REPASACK system. [REPASACK](#) stands for the recycling of paper bags, meaning the bags can be used to produce high quality secondary raw materials.

In 2018, 1248.5 t of packaging material for final products were licensed by Der Grüne Punkt and 154.6 t for paper bags by REPASACK GmbH (in Germany).

## COMPLAINTS

Management of customer complaints is an integral part of our quality management system at all MEGGLE sites. Customer complaints are a significant indicator of our performance in our customers’ perception.

We therefore investigate deeply and use reported complaints as a chance to improve. Often we experience that many customers highly appreciate our efforts to explain and find the root causes of their complaint. Last but not least, the analysis of non-conformity leads us to improvements and strengthens our overall quality performance.

In the reporting period for 2015–2019, MEGGLE Group faced one single public recall in the food sector due to an allergic reaction to milk protein in a vegan product. Thanks to an immediate, responsible reaction, the health impacts on consumers could be controlled rapidly.

**106**  
Inspections\*



**62**  
Certification audits\*



**46**  
Customer audits\*



\* In 2018 at our MEGGLE sites



5.



# SUPPLY CHAIN

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**MEGGLE is convinced that we need to foster understanding around sustainability, transparency and cooperation within the supply chain in order to tackle the shared challenges and encourage continuous improvement.**



High expectations with regard to ethical principles in terms of environmental and social responsibility, as well as in terms of business practices, are key success factors for us as a food manufacturer. Comprehensive sustainability management across all tiers of our supply chain is one of our most challenging sustainability tasks in the coming years. We procure with competence, fairness, respect and in a goal-orientated manner. We honour the quality and sustainability performance of our suppliers and treat them as partners within a holistic supply chain.

## OUR STRATEGIC PRIORITIES UNTIL 2025



### Raw materials

As our main raw materials are of dairy origin, we will continue to have a strategic focus on sustainability issues together with our direct supplying farms and dairy suppliers, with special efforts on animal health and animal welfare. For biodiversity reasons, our milk supplying farms in Germany will be encouraged to use GMO-free feed.



### Packaging

Together with our packaging suppliers, we will continue to reduce the environmental impacts from the raw materials used and optimise our usage of packaging as well as analyse and break down the complex environmental effects of packaging waste.



### Global supply chain

With regard to the materials originating from our worldwide supply chains, we will focus on the perception of risk and on mitigation of social and environmental impacts.

## TRANSPARENCY AND COOPERATION FOR SHARED CHALLENGES

### MEGGLE Procurement Policy\*



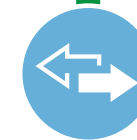
#### Awareness and responsibility in procurement

We are committed to complying with applicable laws, regulatory standards, company-specific rules and contractual obligations. We also pass on these requirements to our suppliers. We condemn any form of corruption and bribery.



#### Sustainability

We raise awareness that compliance with environmental standards and human rights in the supply chain is part of our responsibility. We expect environmental awareness and ethical behaviour from our suppliers and try to develop this further.



#### Continuous improvement

We are committed to an open, technically competent exchange of experience and involve our suppliers as much as possible in our processes and progress. We qualify our suppliers, set measurable goals and work together to find efficient and targeted solutions.

\*excerpts

# OUR SUPPLY CHAIN STRUCTURE

Most of our ingredients have agricultural origins: MEGGLE Group buys raw milk directly from regional farmers near our production sites: in 2018, this amounted to a total quantity of 566 million kg. Additionally, the production sites purchased more than 380 million kg of bulk processed milk products from other dairies, with cream and whey being the most important in terms of volume.

Other food ingredients are bought from food processing companies all over Europe, through a complex multi-tier supply chain. The most important non-dairy ingredient is wheat flour for our bakery production site (M-Back GmbH).

Besides the ingredients of our products, packaging materials are also of high importance in order to deliver our products to our customers safely and with high quality. To safeguard the quality and performance of our → [products](#) we also need other materials, such as processing aids or cleaning agents.

In 2018, MEGGLE Group placed orders from more than 4,000 suppliers overall, with our regional dairy farmers representing more than 75% of our suppliers<sup>1</sup>.

The main services supplied are transport, storage and maintenance, as well as services related to the construction of new buildings and equipment.

In 2019, all suppliers of food raw materials (raw milk, other dairy and non-dairy ingredients) at our production site in Wasserburg were evaluated regarding production and procurement from BSCI high risk and BSCI risk countries. Therefore, the origin of the food material was considered. The evaluation concluded that none of our food raw material suppliers deliver materials from BSCI high risk countries and less than 1% of them deliver materials from BSCI risk countries. All these suppliers adhere to the ETI Base Code.

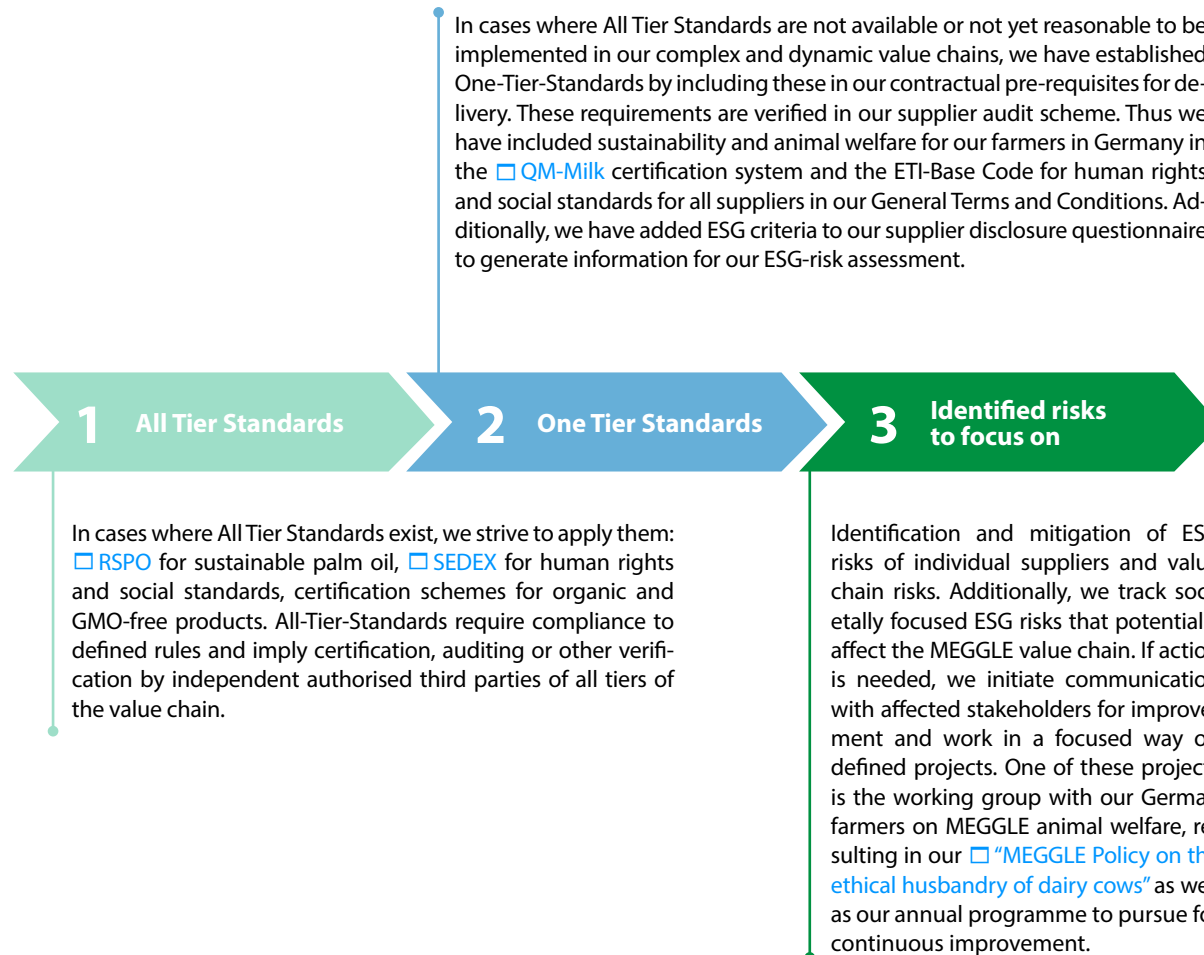
<sup>1</sup> Not including suppliers for construction/maintenance or service providers.



\*Wasserburg site | \*\* referring to first tier processing of agricultural production / harvest | \*\*\* e.g. processing aids, cleaning agents




# OUR MANAGEMENT APPROACH

For the sake of transparency and performance, the sustainable management of our supply chain is based on a 3-level approach:



## SUSTAINABLE LABOUR PRACTICES FOR SUPPLIERS

Our suppliers adhere to the [ETI Base Code\\*](#). These principles, established by the Ethical Trading Initiative, are based on the conventions of the [International Labour Organisation \(ILO\)](#) and are an internationally recognised code of labour practice.

-  **1. Employment is freely chosen**
-  **2. Freedom of association and the right to collective bargaining are respected**
-  **3. Working conditions are safe and hygienic**
-  **4. Child labour shall not be used**
-  **5. Living wages are paid**
-  **6. Working hours are not excessive**
-  **7. No discrimination is practiced**



**75%**  
of our suppliers are regionally based dairy farmers\*\*

**0%** 

of our suppliers deliver food raw materials from BSCI high risk countries. Less than 1% of our suppliers deliver food raw materials from BSCI risk countries\*



**946 mn kg**  
of raw milk and other bulk processed milk products (mainly cream and whey) purchased in 2018\*\*

\* Wasserburg site | \*\* MEGGLE Group



## OUR MILK QUALITY, ANIMAL HEALTH AND ANIMAL WELFARE APPROACH

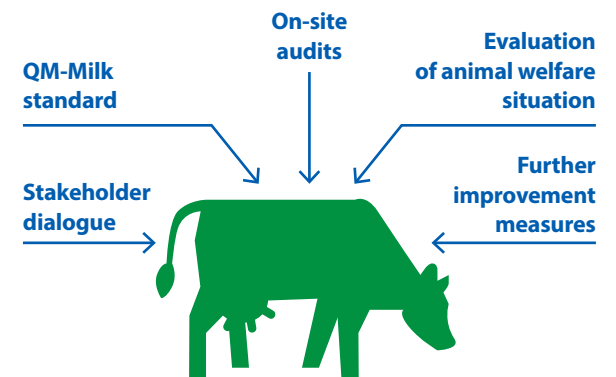
For generations we have collaborated with our farmers on milk quality and cattle health. In 2017, we furthermore started MEGGLE's programme on animal welfare with our policy on the ethical husbandry of dairy cows. This programme has a dedicated budget and aims to support farmers with expert analysis, training and proposals for improvement according to their individual circumstances. We report annually on progress, new challenges and objectives (see [Review Stakeholder-Kommunikation MEGGLE-Milcherzeuger 2018](#), German version only).

## RAW MILK FROM DAIRY FARMERS

Most of our production sites are dairy operations and work closely with regional supplier farms. The average farm size differs according to the region. The farmers contribute significantly to the quality and safety of our end products. MEGGLE has a clear perception of the various impacts of dairy farms on the regional environmental and social contexts.

For our production site in Wasserburg, we purchase our raw milk from approximately 720 farm milk pro-

ducers, whose enterprises are located in a radius of approximately 40 km from our headquarters in Wasserburg, Upper Bavaria, located in the foothills of the German Alps. In 2018, the average farm size was approximately 39 cows per farm, with an average annual production of 312,000 kg of raw milk per farm.



MEGGLE's approach towards milk quality, animal health and animal welfare

# DIALOGUE WITH DAIRY FARMERS

In 2017, as part of our stakeholder engagement activities, we initiated a continuous stakeholder dialogue with MEGGLE dairy farmers. This Working Group offers a valuable forum to discuss and evaluate the expectations, aspirations as well as limitations and conflicts linked to our goals. Our aim is to find a common, cooperative approach on the expectations we face from our customers, consumers and society.

In 2018, we focused on the following topics in the dialogue as well as in our monthly MEGGLE Newsletter for farmers to exchange information and practical advice:

- Tethered housing and tie-stalls
- use of glyphosate
- use of homeopathy and herbs
- use of antibiotics
- animal friendly milking (stress-free)
- dehorning of calves



## MEGGLE POLICY ON THE ETHICAL HUSBANDRY OF DAIRY COWS

In order to ensure the appropriate health and welfare of dairy cows, MEGGLE's Working Group on Animal Welfare — consisting of farmers and dairy members — has developed a binding  "Policy on ethical husbandry of dairy cows". It defines standards and objectives for the following aspects:



Animal health



Housing of dairy cows



Milk quality



Qualification of dairy farmers



Feeding of dairy cows

## TRAINING FOR DAIRY FARMERS IN 2018

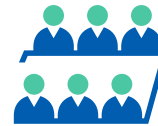
16

Trainings organised for MEGGLE dairy farmers



872

Participants



12

Newsletters informing dairy farmers about current topics including animal welfare



## PROCESSED DAIRY INGREDIENTS

Besides raw milk, MEGGLE purchases other processed dairy ingredients, in particular whey for our lactose production and cream for our butter and cream products. These dairy ingredients are sourced exclusively within Europe and are considered in line with ESG regulatory frameworks and controls in place in the European Union.

## SOURCING OF OTHER INGREDIENTS

Most important other materials we use as ingredients are of agricultural origin. The most significant in terms of quantity are wheat flour for our bakery production site (M-Back), in Germany, and vegetable fats and oils as well as glucose syrups. Fats and oils are used for the production of creamers and whipping agents.

Palm oil products have been identified as an ESG-critical material. All MEGGLE sites are therefore [RSPO](#) certified. Nevertheless, we face the challenge that our customers outside of Europe are not willing to burden their products with additional costs for sustainable palm-related raw materials. In consequence, we try to find a timely and economic compromise by nonetheless offering both quality types. At the same time, we try to discuss sustainability approaches with our customers in terms of ingredient selection.



## PACKAGING MATERIALS

Packaging material is an essential part of our products. It is an integral part of product food safety and product protection concepts. Packaging material is also an important acceptance criteria for the consumer to buy the goods. In the production process, packaging material has to fit with installed technical equipment to guarantee safe products. Last but not least, packaging material has to comply with relevant legal requirements for use in food production as well as for the disposal of waste after the use of our products.

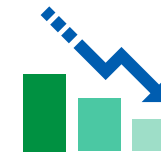
In the context of the Group's [environmental performance](#), packaging materials have become a challenge for the near future with regard to sustainable sourcing, reduction of waste and responsible waste disposal.

## OUR PACKAGING MATERIAL STRATEGY 2025

The design of packaging material has become an integral part of our sustainability strategy, with a focus on:



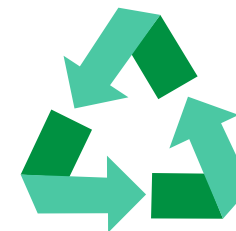
**Sustainable sourcing**



**Reduction of materials used**



**Recyclability of packaging materials**



At the same time, we try to reduce our environmental impacts from packaging material used for our raw materials by reducing and separating our waste and participating in recycling schemes.

6.



# ENVIRONMENT

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**“Our sustainability strategy is based on the long term responsible use of the environment, including all raw materials, water, energy, air and soil, at our sites and in the value chain.”**

MEGGLE Corporate Policy





Our vision for environmentally sound business practices is captured in our policies for environmental and energy management (ISO 14001 and ISO 50001) and is also part of our overarching → [Corporate Policy](#).

We are convinced that, within our collaborative framework of environmental management systems, shared responsibility and open dialogue about continuous improvement are key factors for success. Accordingly, our motto is “everyone is an environmental officer” striving for environmental awareness and continuous improvement.

## OUR APPROACH

We are convinced that, with awareness and knowledge, we are able to constantly and responsibly improve our environmental performance.

Regarding the operation of our dairy production sites, our major environmental footprint is linked to:

- water consumption due to high hygienic requirements and cooling
- corresponding wastewater management (most of our plants apply primary sedimentation)
- energy and CO<sub>2</sub>e emissions due to cooling, heating, drying and transportation
- emissions of noise and dust due to operating large equipment, including spray drying
- waste management in our own operations as well as the packaging material of our products.

We systematically analyse our operations, report key performance indicators and define improvement potential which enters into our annual investment planning and environmental targets.

## OUR ENVIRONMENTAL STRATEGY TO 2025



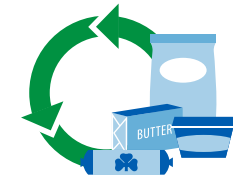
**Resources**  
reduction of water and energy consumption



**Climate**  
reduction of our carbon footprint



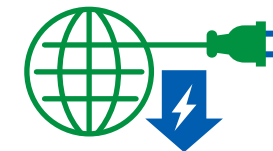
**Other emissions**  
minimising waste, wastewater, dust & noise



**Packaging material**  
reduce & recycle

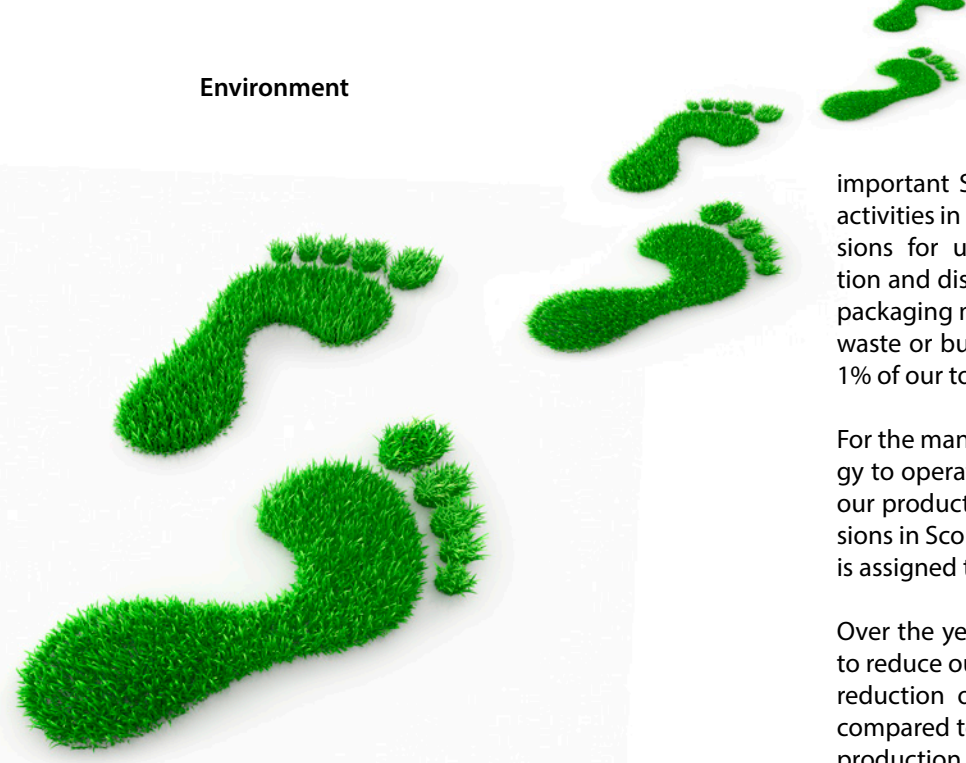
### ISO 14001

In 1997, as one of the first companies in the Bavarian dairy industry, MEGGLE integrated a certified Environmental Management System in its existing Quality Management System. Rajo site, Slovakia, was certified in 2019.



### ISO 50001

Energy Management Systems are introduced and certified at our Wasserburg site and at M-Back GmbH to continually improve our use of energy and our energy efficiency.



## CLIMATE CHANGE AND EMISSIONS

To raise awareness on CO<sub>2</sub>e emissions and to develop further emission related targets, we calculated our first Corporate Carbon Footprint for the year 2016 for our production site in Wasserburg. In 2019, we updated this Corporate Carbon Footprint for the reporting year 2018.

94% of our CO<sub>2</sub>e emissions occur in Scope 3, and 89% of our total CO<sub>2</sub>e emissions originate from our raw materials. Our dairy ingredients contribute to 85% of our total CO<sub>2</sub>e emissions. The second most

important Scope 3 emissions stem from transport activities in our value chain (1,7% of total CO<sub>2</sub>e emissions for upstream and downstream transportation and distribution). Other Scope 3 indicators like packaging material, water consumption, disposal of waste or business travel each account for less than 1% of our total CO<sub>2</sub>e emissions.

For the manufacture of our products, we need energy to operate our machines, for drying and cooling our products. This results in 5,9% of our CO<sub>2</sub>e emissions in Scope 1 and 2, for which most of our energy is assigned to Scope 1 for use of natural gas.

Over the years, we have installed various measures to reduce our CO<sub>2</sub>e emissions. Examples include the reduction of emissions from refrigerants by 40% compared to base year 2016. Due to changes in the production flow, our emissions from energy and water have led to a reduction of 4% CO<sub>2</sub>e for energy and 13.4% CO<sub>2</sub>e for water consumption compared with 2016.\*

Our tasks for the next years are to optimise our carbon footprint in relation to our processes and in cooperation with our suppliers and customers. Other relevant emissions are, for example, particulate matter and noise. These emissions are monitored according to our Environmental Management System. In recent years, we have successfully installed several measures to reduce these emissions, contributing both to an improved natural environment and to improved work safety for our employees.

\* Scope 1 stationary combustion and Scope 2 market-based.

## CORPORATE CARBON FOOTPRINT 2018

Scopes	tCO <sub>2</sub> e-emissions		
<b>Scope 1</b>	Stationary combustion	86,844.1	5.9%
	Refrigerant loss	500.3	0.0%
	Company vehicles	422.8	0.0%
	<b>Total Scope 1</b>	<b>87,767.2</b>	<b>5.9%</b>
<b>Scope 2</b>	Purchased electricity (market-based)	1,135.3	0.1%
	<b>Total Scope 2</b>	<b>1,135.3</b>	<b>0.1%</b>
<b>Scope 3</b>	Raw material	1,316,657.3	88.9%
	Thereof dairy raw material	1,265,154.2	85.4%
	Thereof non-dairy raw material	51,503.1	3.5%
	Processing aids	3,321.4	0.2%
	Cleaning agents	9,787.6	0.7%
	Packaging material	13,368.6	0.9%
	Fuel- and energy related activities not included in Scope 1 and Scope 2	19,913.2	1.3%
	Upstream transportation and distribution	14,039.3	0.9%
	Downstream transportation and distribution	12,257.1	0.8%
	Water consumption	1,620.3	0.1%
	Employee commuting	1,454.1	0.1%
	Business travel	316.9	0.0%
	Waste	562.6	0.0%
	Printer paper	16.2	0.0%
<b>Total Scope 3</b>	<b>1,393,314.6</b>	<b>94%</b>	
<b>Total Scopes 1-3</b>	<b>1,482,217.1</b>	<b>100%</b>	



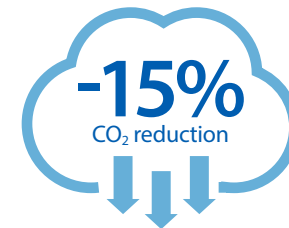
## ENERGY CONSUMPTION

Many food-processing processes required for food safety are energy intensive, such as heating and cooling, refrigeration storage and cleaning.

Within the MEGGLE product range, our most energy intensive processes are spray drying at our site in Wasserburg, Germany, and baking at M-Back GmbH in Germany. Because of this, MEGGLE started to focus early on energy efficiency. In Wasserburg, we operate our block heat and power station with excellent energy efficiency. As a result, our Scope 1 and Scope 2 emissions are very favourable. Besides

the topic of energy efficiency, MEGGLE has started to reflect on options beyond fossil fuels, but for the next years they will still be needed.

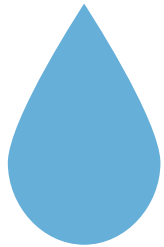
Within our established Energy Management Systems according to ISO 50001, we are systematically improving our performance for energy usage. Our cross-functional energy management team cooperates by analysing existing equipment and manufacturing processes and strives for new technical options to save energy. Our total energy consumption in 2018 was 1,594,252 GJ.



CO<sub>2</sub> per ton of manufactured product\*. This is our goal for 2025, using energy efficiency measures.

\* Scopes 1 and 2, base year 2012, Wasserburg site

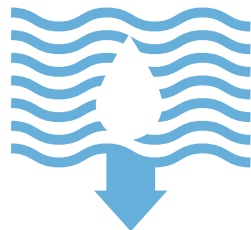
**OUR 2025 GOAL**



**OUR 2018 RESULTS**



**2.39  
mn m<sup>3</sup>**  
water withdrawal  
from own wells°



**-14%**  
freshwater reduction  
at the Wasserburg site°

**-27%**  
freshwater reduction at  
the Bulgaria site°°

\* Wasserburg site  
° compared to base year 2016 | °° compared to base year 2015

## WATER CONSUMPTION AND WASTEWATER

Water is one of the most valuable resources we have on this planet — without water there is no life. Water is also one of the essential resources that we use most. Although we have no risks with regard to the water supply in the regions where we operate, we feel responsible for conserving, and sustainably and efficiently managing, natural water resources. Drinking water is one of the most important resources for the production. As a manufacturer of high-quality products, we need clean water to produce safe products for our customers. Only a small proportion of the water used goes into the final product, most is used for cleaning and cooling purposes. The wastewater generated is due to cleaning and evaporation from our raw materials.

## WATER MANAGEMENT

For fifty years, MEGGLE has been operating a well system near our headquarters in Wasserburg, Germany. Drinking water is transported from three wells with a depth of between 27 and 32 meters via two underground pipes directly to our production site. The withdrawal of water does not affect the water sources significantly, because it is fed from a powerful underground groundwater flow. At our production site, the water is used as an ingredient for our products, for cooling, for the production of steam and cleaning. In 2018, our total water withdrawal in Wasserburg amounted to 2.39 mn m<sup>3</sup>.

As a public water supplier in Wasserburg, we also bear responsibility for close to 200 households in our neighbourhood. Within the next years this public water supply will be handed over to the municipality in charge.

## MEGGLE WATER PROJECT

### Designing a sustainable future for water consumption

In 2018, we bundled our measures for responsible water usage at our headquarters in Wasserburg into our Water Project. The aim of the project is to set the course for future water consumption. By 2025, we want to have reduced our water consumption by 25% compared to base year 2016. Due to great teamwork and cross-functional collaboration, we successfully increased reuse of cooling water and have significantly approached our reduction target.



## WASTE MANAGEMENT

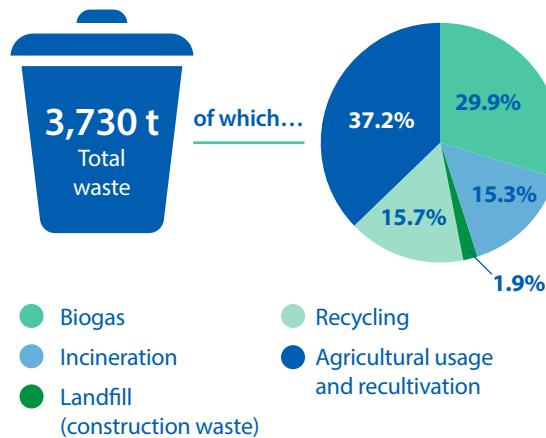
MEGGLE produces waste directly through its own production (e.g. food waste, sewage sludge, packaging waste) and indirectly via our customers primarily through packaging material waste. Strict sorting and disposal of waste is a longstanding practice at MEGGLE and subject to strict internal controls.

Regulatory requirements for our products' packaging waste will demand fundamental changes in our packaging approach over the next few years, whereby neither food safety nor attractiveness for the consumer can be impaired. We have developed a packaging strategy to help us shift towards a more sustainable packaging approach.

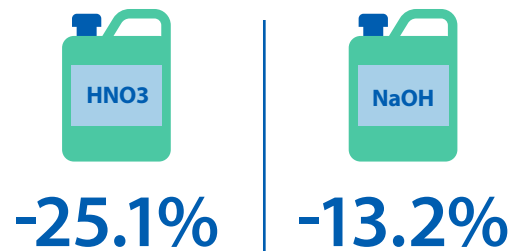
Food waste is a by-product of food production, which cannot be completely avoided and which is subject to strict legal regulations. On top of that, we systematically analyse our food waste, identify reduction opportunities and develop sustainable disposal strategies.

Sewage sludge from MEGGLE's own wastewater treatment is produced and is also subject to strict legal regulations around disposal. The amount of sewage sludge is included in our corporate carbon footprint as well as in manufacturing costs. Process management for reduction and composition of sewage sludge will remain a challenging task for the next few years.

### WASTE BY TYPE 2018\*



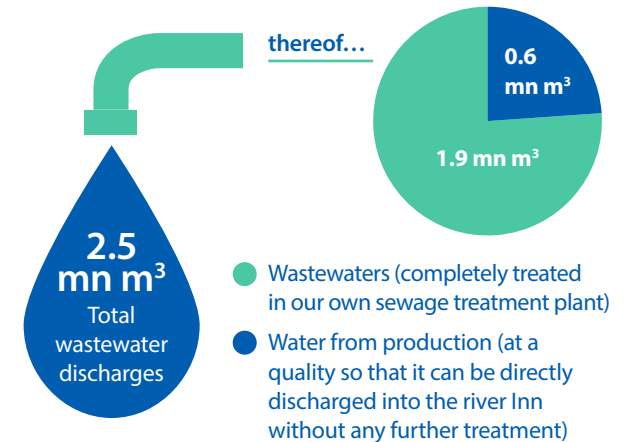
### REDUCTION OF THE MOST COMMON CHEMICALS FOR CLEANING\*\*



## WASTEWATER

At our production site in Wasserburg, we installed our own sewage treatment plant back in 1980, and have expanded capacity continuously until now. At this plant, we clean our wastewater from produc-

### WASTEWATER DISCHARGES 2018\*



\* Wasserburg site | \*\* Rajo site, Slovakia, due to redesign of cleaning  
\*\*\* Bulgaria site, compared to base year 2015

tion. Small amounts of wastewater from sanitary facilities are handed over to the municipality's water treatment.

# 7.

# PEOPLE

“The core value is not on the balance sheet:  
it is our employees, who loyally make their excellent contribution.”

Toni Meggle

MEGGLE Group is a company with a strong historical and regional presence, where a significant number of the employees in our main site have other family members also working for the company, often for several generations. It is therefore natural for us to think in terms of sustainability for our workforce. At a time of rapid change, this is even more necessary so that we can face the future more effectively.

We are convinced that employees make a significant contribution to the company's successful performance. A value based culture which is lived in daily work based on mutual respect, appreciation and leadership by example is the basis for our success. This value culture commits us to strive for safe and healthy working conditions — both physical and psychological. It also commits us to a strong focus on lifelong learning and human working conditions. This value culture is a key component of our attractiveness as an employer and as a reliable partner for our customers. We are striving to further develop and strengthen this culture with some of the processes and measures mentioned here, and through our integrated management approach.



Following the external and internal evaluations made in the past three years, MEGGLE is performing well and above average for its sector on many aspects of people management. However, there is still work to do to. As we know, the bar on sustainability — and performance in general — is raised every year: no sooner is one target achieved, than others surface, so we also need to anticipate future trends. Within our → [Sustainability Strategy to 2025](#) we have defined the following priorities for the management of our human and intellectual capital:

- Ensure healthy working conditions for all our employees with our MEGGLE Employee Health Programme
- reduce work-related accidents
- give staff opportunities to develop with MEGGLE, by focusing on personal qualification programmes
- raise employee satisfaction and commitment
- fair remuneration

# VALUES BASED CORPORATE CULTURE

Our daily actions are based on sound management practices. The MEGGLE corporate policy defines our employees as key stakeholders to be considered when making long-term decisions that affect the future course of our company. Furthermore, we have within our → [integrated management systems](#) binding policies in place for health and safety as well as corporate ethics.

According to our own values we are committed to:

**– Zero discrimination**

We do not tolerate discrimination on the basis of gender, religion, social and ethnic origin, age, disability or sexual orientation.

**– Fair pay**

We guarantee payment in accordance with industry standards. Our salaries are enough to cover the cost of living for our employees. MEGGLE Wasserburg is subject to the collective agreement of the Bavarian dairy industry..

**– Healthy working conditions**

Our working hours are regulated by collective agreements and should in general not exceed 40 hours per week. We ensure healthy and safe working conditions for both body and mind.

**– Freedom of association**

We ensure the right to freedom of assembly and organisation in trade unions and associations.

**– Honesty and fairness**

We treat each other fairly and respectfully and do not tolerate any misconduct or harassment. We commit ourselves to a law-abiding conduct and to respecting human rights.

**OUR EMPLOYEES 2018\***



of which...



\*Wasserburg site

**MEGGLE IS TOP EMPLOYER**



In Germany, MEGGLE received the TOP ARBEITGEBER (☐ Top Employer) award in 2018 and 2019, and has again been confirmed as one of Germany's most attractive employers. We are happy to be seen as the highest rated dairy company in Germany and the best company in the Federal State of Bavaria, as shown by independent research. MEGGLE's success is in part due to its numerous programmes for employees: further training or education, free language courses and a talent management programme. An annual health and environment day, free training courses with local cooperation partners or assistance in finding child care further add to the wide range of benefits at MEGGLE.

**CERTIFIED SOCIAL STANDARDS**

MEGGLE AG has been a Sedex member since 2011 and included the production sites of Wasserburg, Rajo s.a. (Slovakia) and M-Back GmbH in this membership. In Wasserburg a full Sedex ☐ SMETA 4-Pillar Audit was carried out in 2019 for the second time and will be repeated every three years. On top of environmental aspects and topics related to sustainability management in general, the audit focuses on:



Health & safety



Labour law



Social standards



# LEARNING & DEVELOPMENT

Systematic personnel development and structured career management are an integral part of our corporate culture and corporate strategy. Not only in terms of our corporate responsibility, but also in terms of making a sustainable contribution to society. We have to make sure that our people are improving their skillsets and are able to meet the challenges of today and tomorrow in a rapidly changing global and digital context. At MEGGLE, we are particularly aware of the need to ensure an attractive employer brand to bring in new talent. This is an international challenge for us because some of our production sites are situated in a remote location, and there is a lot of competition for employees in the regions where we operate.

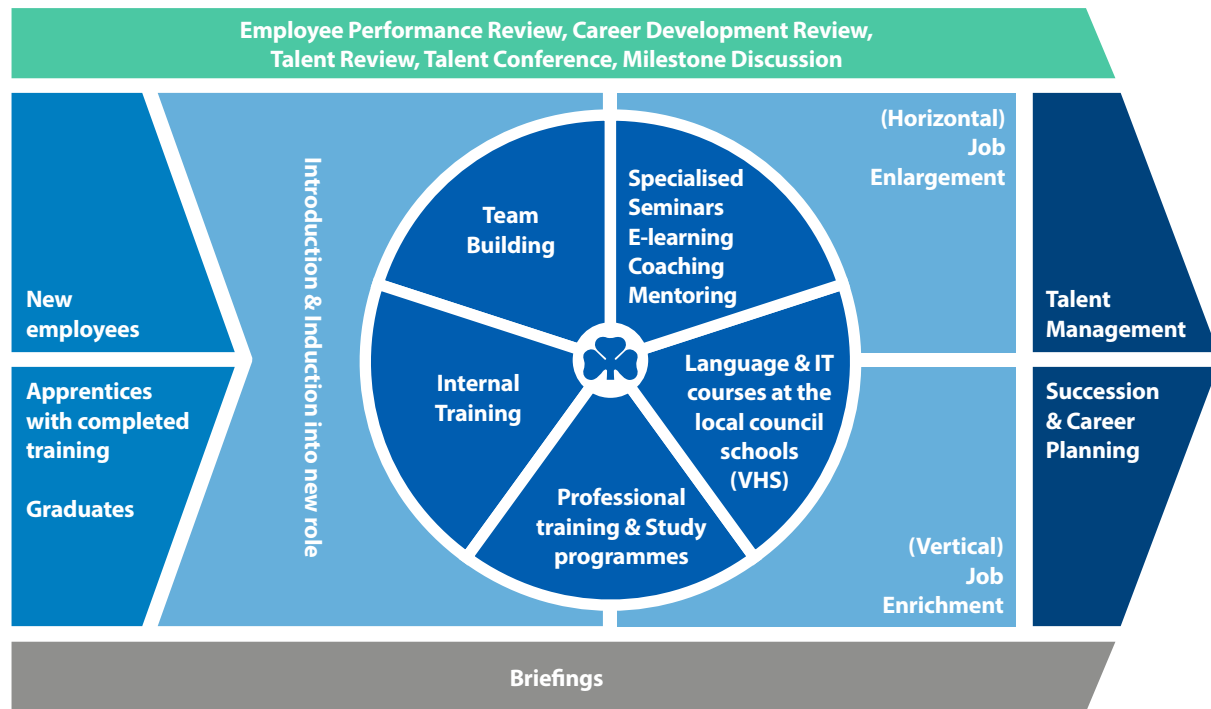
MEGGLE has undertaken several measures to respond to the need for a sustainable workforce. In Wasserburg, all our activities related to learning & development are assessed on a yearly basis. In 2016, an overarching Employee Qualification Management system was installed in order to track more systematically how our employees are developing their skills, and to pursue the following goals:

- Improvement of technical and personal qualifications
- adaptation of knowledge to technology and market requirements
- increasing the satisfaction of our employees with their activity

- design of individual careers according to the operational opportunities
- identification and individual support of talent and high potentials
- internal training of specialists and executives
- promotion of female employees, including the context of planning a family
- gaining greater independence from external labour markets
- ensuring our competitiveness for the future.

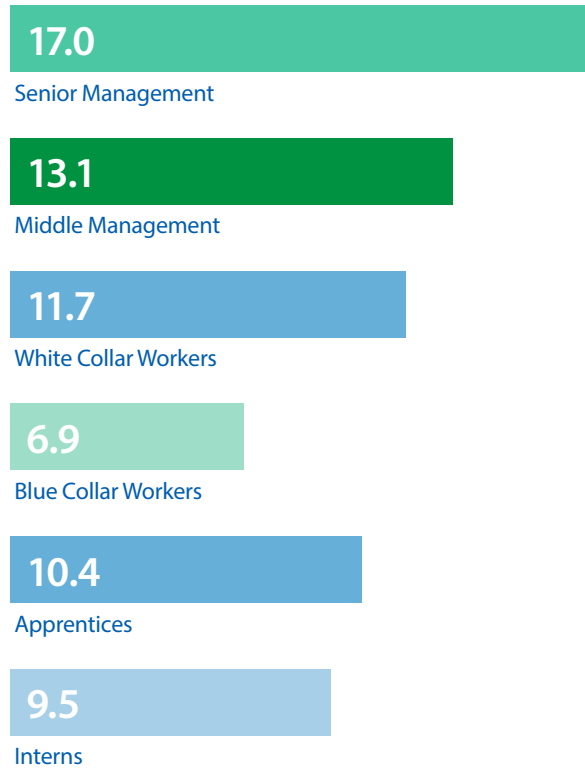
Our personnel development portfolio encompasses training and further education of employees in their current position, as well as preparing for a new position. It takes place either by introducing a new role, or on an extra-occupational basis. Our portfolio shows the full range of possible development measures at MEGGLE, as well as supporting tools and processes currently in place to establish the necessary knowledge.

## MEGGLE PERSONNEL DEVELOPMENT PORTFOLIO



For us, personnel development is clearly a joint task and involves teamwork. At MEGGLE, we rely on partnership-based cooperation between our employees, executives, the company management and the Human Resources department.

**AVERAGE TRAINING HOURS PER EMPLOYEE 2018\***



\*Wasserburg site



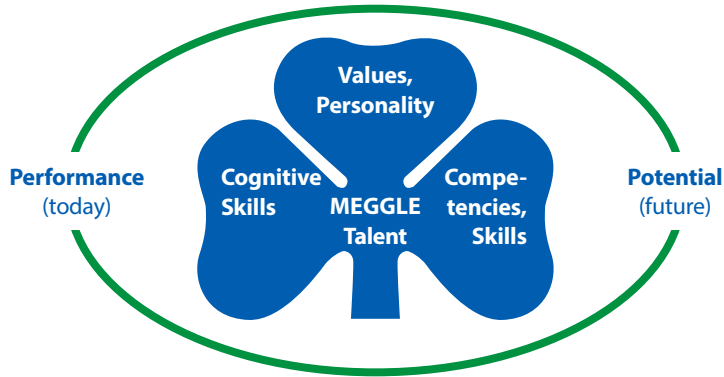
## TALENT MANAGEMENT AND PERFORMANCE REVIEW

The career opportunities at MEGGLE are diverse and sustainable. We want to offer our employees long-term perspectives and, at the same time, ensure our long-term competitiveness on the market. Many of the “babyboomer” generation will leave for retirement over the coming years. The topic of succession and career planning therefore plays a decisive role in our talent management. Also, the changed values and life goals of generations Y and Z pose new challenges in terms of holistic career planning and talent promotion. Depending on individual inter-

ests, strengths and potential in connection with our operational possibilities, MEGGLE opens up a variety of options.

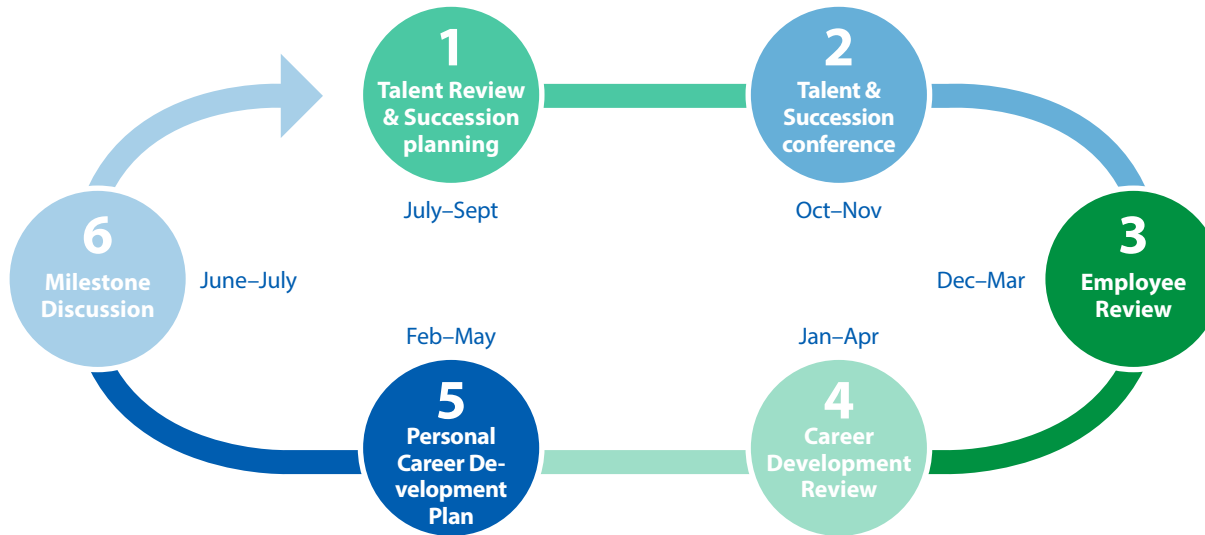
Depending on competencies, experiences, strengths and of course personal inclinations, every career path is unique and can be very different at MEGGLE — a career as an expert, in management or at one of our international locations, for example.

# MEGGLE TALENT MANAGEMENT APPROACH



MEGGLE attaches great importance to the continuous development of our employees. Our annual performance cycle is an established process that unites vacancies, key positions and business goals with existing potentials and high potentials. 100% of our white collar workers (including middle and senior managers, apprentices and interns) have annual development reviews. This applies to employees with activities where there is a high degree of development potential and covers 45,2% of total employees at our Wasserburg site. Our production staff (blue collar workers) actively take part in life-long learning, and development rounds take place when needed.

## MEGGLE Yearly Performance Cycle



## TOP CAREER OPPORTUNITIES FOR YOUNG GRADUATES \*



In 2017, MEGGLE was placed in the top 5 in its German industry sector in a scientific study by German magazine Focus Money. Alongside our programmes for all employees, which were awarded with the TOP ARBEITGEBER (Top Employer) award, MEGGLE was convincing with its trainee positions for Bachelor and Masters graduates.

## TOP 25 EMPLOYER FOR INTERNS\*



In 2019, MEGGLE was ranked among the top 25 employers for interns in a large study carried out by [FOODJOBS.DE](https://www.foodjobs.de). For the sixth time, FOODJOBS.DE invited interns in the food industry to rate their work experience online. MEGGLE convinced not only with interesting insights into the daily business and further education measures, but also with the support of our interns to find cheap accommodation or with discounted food prices in our canteen.

\*Wasserburg site



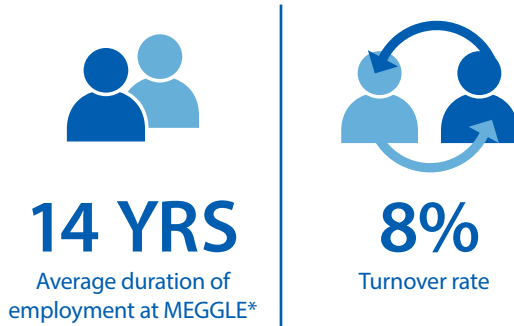
## WORK-LIFE BALANCE

At MEGGLE, innovative ways of integrating work and private life define our management approach towards human resources and our corporate culture. To enable employees to reconcile personal requirements with a career in the best possible way, MEGGLE operates flexitime and numerous working time and part-time models, depending on the area of activity and place of work. Furthermore, the collective bargaining agreements on working conditions between the food union, "Nahrung-Genuss-Gaststätten" (NGG), and employer association apply.\*

Additional leave beyond standard vacation is possible, and flexible working practices are available. In order to help parents in the main site of operation manage their work-life balance, MEGGLE has part-

nered with an external company, famPLUS, since 2012. Employees can call a hotline to have their questions answered and seek further help in the form of individual consulting and child care. The service hotline can also be used by all of our employees for questions and help regarding care for the elderly and for psychosocial stress consultation. In addition, we offer our older employees a model for a flexible and financially secure transition from working life to old-age pension.

Generally, our employees emphasise their satisfaction regarding work-life balance at our company. They mention a positive, collaborative working atmosphere (2019 Sedex SMETA 4-Pillar Audit). The average employment duration and turnover rate suggests strong employee loyalty.

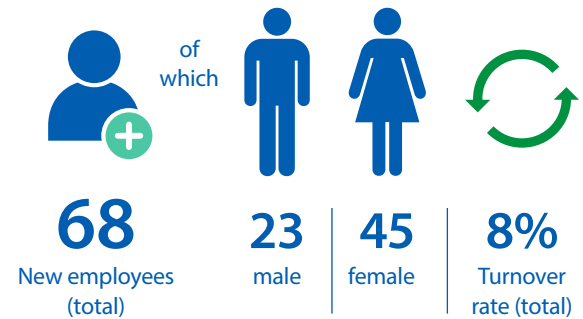


## WORK-LIFE BALANCE

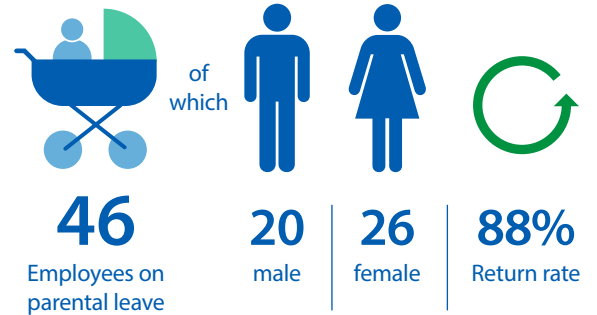


As one of the few companies in the dairy industry, we offer our employees flexible partial retirement models.

## NEW HIRES AND TURNOVER RATE 2018\*



## PARENTAL LEAVE 2018\*



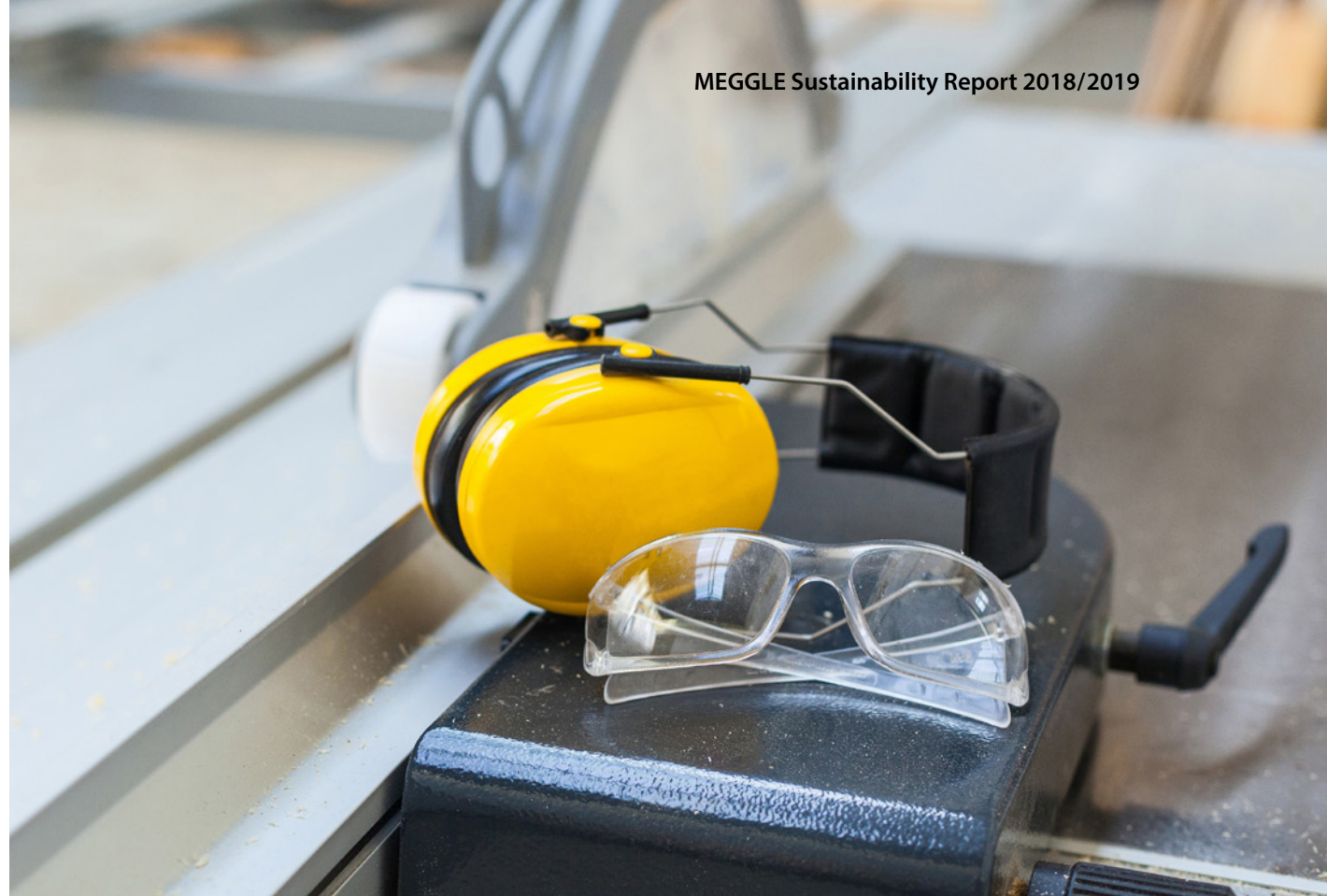
\*Wasserburg site

## HEALTH & SAFETY

“Health is our greatest asset”: this belief underlies our policy on Health & Safety at MEGGLE. To maintain and promote our employees’ health and security in the workplace, we place great emphasis on proactive, efficient and sustainable measures, alongside in-company programmes promoting employee health.

Our headquarters and production site at Wasserburg have undergone ISO 45001 certification to ensure it is fully in line with Health & Safety best practice, continually minimising occupational hazards in our sites. Several functions and processes are in place to ensure safe working conditions:

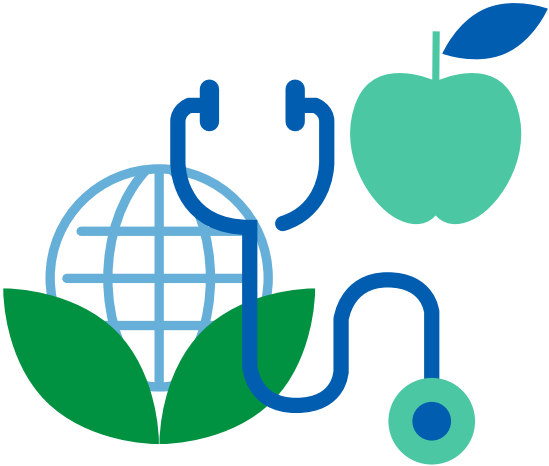
- Two full time internal health and safety officers with more than 30 trained specialists for health and safety.
- We have more than 130 first aiders and 70 evacuation helpers — more than required by law — trained periodically, with aiders clearly identified on site.
- Weekly health and safety tours are conducted by a team including the H&S officer and the medical doctor: all findings are documented, appointed to the responsible persons and implementation is tracked.
- New employees receive H&S trainings before starting work with us, with trainings repeated annually. Evacuation trainings are conducted in all departments.
- Material safety data sheets are kept together with process instructions at the machine production lines and can be accessed via our internal IT system.



- Risk evaluations exist for all workplaces, updated at least every three years. All accidents are recorded and analysed, and reported in terms of number and severity.

In 2018 there were no activities with a high rate of disease or risk in our organisation. We continually draw up risk assessments for every job and constantly provide further training for managerial staff and employees.

We also offer our employees classes and workshops around the topics of health, fitness and mindfulness. For example, for our shift workers, we offer training sessions on “Healthy in the Shift” and inform about nutritional and sleep strategies for shift work. In workshops with our partner famPLUS, we also inform about private health topics such as long-term care insurance and a living will. Furthermore, we provide healthy food in our canteen at a discounted price for all employees, with an extra discount for apprentices, interns and trainees.



### PREVENTION FIRST: EMPLOYEE DAY FOR ENVIRONMENT AND HEALTH

Every year, MEGGLE Wasserburg carries out a big Environment & Health day for employees. More than 250 employees — 25% of our total employees — took part in 2018 and had the opportunity to put their own body through its paces during working hours, be it for a mobility check, nutritional advice or a cardiac stress test. In addition to health topics, the day revolved around topics relating to environment and sustainability. Our working groups informed participants about current environmental projects in the company. Similarly, the environmental officers called for the continued careful and forward-looking use of our resources.



-25% of reportable work accidents per 1,000,000 employee hours. This is our goal to 2025.

#### ACCIDENTS AND INJURIES 2018\*



**28.1**

Accident frequency rate / 1 mn working hours

**13.4**

Severity rate (days/accident)

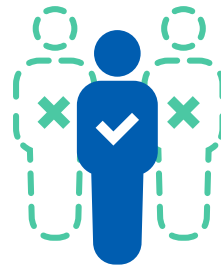
**45.4**

Accident frequency rate / 1,000 employees

**375**

Severity rate 1 mn working hours

#### LOST DAYS 2018\*



**0**

due to occupational diseases

**625**

due to accidents (> 3 lost days)

**18,382**

Lost days (total)

\*Wasserburg site, only reportable incidents (> 3 days)

#### WEEKLY HEALTH AND SAFETY TOURS\*\*

A team — including the H&S officer and the medical doctor — conducts weekly audits to ensure a safe working environment. All findings are documented, appointed to the responsible persons and the implementation tracked.



\*\*Wasserburg site



## EQUAL OPPORTUNITIES AND DIVERSITY

At MEGGLE there is a collective agreement on diversity, discrimination and harassment, and awareness raising activities on these issues. The company's commitment to non-discrimination in its Management Handbook and other corporate policies explicitly define the categories covered: gender, race/ethnicity/nationality, social background, religion, sexual orientation and disability. No incidents of discrimination have been reported in recent years.

On the gender and diversity front, there is still progress to be made. Historically, there is a lower proportion of women in technical professions and on shift operations. At MEGGLE, we try to encourage women to work in these professions by applying various measures, such as the optimisation of our production processes regarding physical stress, or the installation of lifting aids at existing production lines, which also benefits our male employees. In addition, MEGGLE participates in national campaigns such as Germany's annual "Girls' Day". In 2019, 17 girls spent the day in our company to learn more about jobs that are rarely practiced by women, for example milk technologist, industry mechanic and electrician.

MEGGLE supports and respects the election for employee representation. We consider honest and appreciative communication with our works council as a cornerstone for a corporate culture that allows equal opportunities. Our current works council with 15 elected members and 15 deputies was elected in November 2018. The president of the works council and the deputy work full time for the interest of employees. Employees, elected employee representatives and management have emphasised the good working climate at our production site in Wasserburg and the good cooperation between management and employee representation.

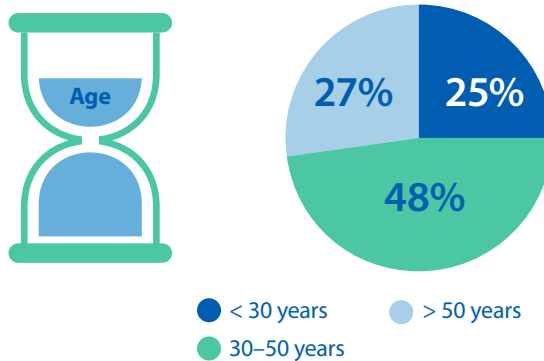
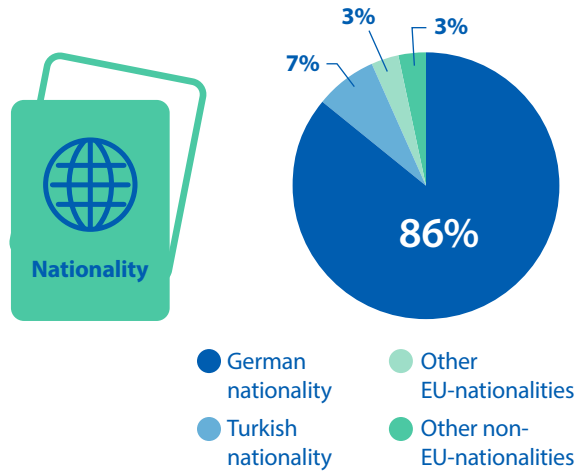
## FAIR PAY AND CARE FOR EMPLOYEES

At MEGGLE, there is no difference between the salaries and remuneration of men and women. We incorporate fairness of wages also across management levels. At MEGGLE Wasserburg, the salary of the highest paid employee is only 5,76 times above the average salary of our employees. Agreed salaries are well above the minimum wage and cover the cost of living. As part of their target revenue, our employees automatically receive the highest possible payment within a tariff level. We use very little agency staff or contractors. When they are used, the framework is tightly regulated. The remuneration process is clearly communicated to all employees. Targets for performance-based pay are set in a top-down process. Process for determining remuneration is defined through payment categories based on collective

bargaining agreements, and by market comparison and company profitability. In line with German employment laws, the works council is involved in all matters of remuneration policy, and additional pay categories are defined by collective bargaining agreements. Of all our employees, 76–100% opt for the company pension scheme, with contributions by MEGGLE and employees also within this range.

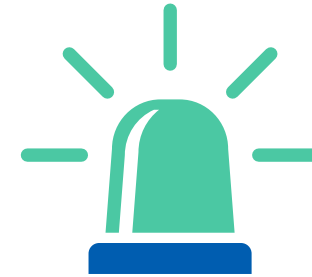
MEGGLE is strongly rooted in the region of Southern Bavaria, Germany. The proportion of senior management hired from the local community for example is 76–99%. But our thinking and our responsibility is not limited to Bavaria. 2016 MEGGLE AG established an International Emergency Fund to provide financial support to employees at all our sites who may find themselves in an emergency, such as a serious illness or a house fire. At our Wasserburg site employees have been supported by such an emergency fund since 1985.

**EMPLOYEE DIVERSITY 2018\***



\*Wasserburg site

**EMERGENCY SUPPORT FOR OUR EMPLOYEES**



The MEGGLE Emergency Fund supports employees at all our sites who find themselves struggling with challenging circumstances, such as a serious illness.

**FAIR PAY**

As part of their target income, our employees automatically receive the highest possible payment within a tariff level.



Girls getting an insight into the daily routine of electricians at MEGGLE (Wasserburg site) during Girls' Day in 2019.



8.



# BUSINESS PRACTICES

**“Compliance with applicable law, regulatory standards, business codes and contractual commitments is fundamental for our business attitude. Professional and personal competence, clear targets and rules for ethical principles and compliance characterise our business behaviour.”**

MEGGLE Corporate Policy

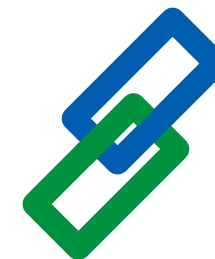


## COMPLIANCE MANAGEMENT

Responsibility for compliance aspects are clearly assigned and embedded in our organisational structure. Compliance risks are regularly assessed, potential issues and deviations are investigated and consistently handled in line with the established framework. Audits and trainings are performed at all legal entities of the Group. Comprehensive compliance reporting is submitted at least annually to the executive board.

MEGGLE has installed helplines and advice lines internally and externally to inform about any potential integrity issue. A whistleblower hotline and an anonymous mailbox drop off system are open for the reporting of compliance breaches. Concerns are reported to our highest governance body via our compliance officer, the works council or supervisors.

Upon starting their work at MEGGLE, every employee receives training in compliance topics including antitrust rules.



We are convinced that, besides a clear organisational compliance framework, we need an ethical attitude in each individual employee and honest leadership guidance.

## ETHICS AND INTEGRITY

We generate business success through competition based on the principles of innovation, quality, reliability and fairness. Compliance with applicable laws, regulatory standards and contractual rules forms the basis of our compliance policy. However, we are convinced that, in addition to a clear organisational framework, we need an ethical attitude in each of our employees, alongside honest leadership guidance. Lobbying activities through associations or in the name of MEGGLE are based on applicable laws, competent argumentation and social responsibility. Marketing takes place in compliance with the applicable laws, but also with responsibility and respect for the consumer. We also pass on our compliance requirements to our business partners.



Ethical demands on the way we do business, compliance, fairness, respect and honesty are cardinal values for MEGGLE. This is codified in our → [Corporate Policy](#), our Compliance Policy, and our Code of Conduct — the latter has been agreed with the works council and sent to suppliers.

## SUSTAINABLE INVESTMENT

Investments offer us a significant opportunity to shape our ESG performance and thus MEGGLE's future sustainability. Connecting sustainability thinking with investments and cost controlling opens up many opportunities for beneficial ESG progress. Layout and operation of equipment and buildings generate a multitude of environmental improvement potential.

Beyond our own operations, sustainability thinking in terms of how we invest has the potential to contribute significantly to the improvement of our value chain's ecological footprint.

Key investments in product development, production systems, marketing and logistics help us to identify sustainability performance indicators such as energy, water, wastewater, CO<sub>2</sub>e emissions, sustainable packaging, raw materials and social improvements. Last but not least, we also have to convince our customers to join our efforts.

MEGGLE finances these investments from its profits from ongoing business and also with a solid borrowing policy. In 2017, MEGGLE issued its first Green & Social "Schuldschein" (bond): the first company in the German dairy industry to use this financing instrument, in line with the ["Green Bond Principles"](#), an international standard of the ICMA (International Capital Market Association). The participating investors required a comprehensive ESG rating profile from a competent third party and a Green Bond Framework with clear rules for using the proceeds and measuring defined environmental and social performance effects of the investment.



In March 2017, MEGGLE's issuer profile was rated by [Vigeo Eiris](#) with an overall score classified as robust, the 5th best rating in the Food and Beverage sector by the rating agency. Within the Green Bond Framework, sustainable benefits included improvements in CO<sub>2</sub>- and dust emissions, energy and water savings, along with improvements regarding equal opportunities for employees (see chapters on [→ Environment](#) and [→ People](#)). The proceeds from this sustainable investment were used to refinance MEGGLE AG's new Lactose III production site in Wasserburg, Germany. The new site is used for the production of pharmaceutical grade lactose, infant dry blend lactose and edible grade lactose. The site was put into operation in May 2017. The investment in a

new operation site strengthens our position as the world market leader in lactose products of highest quality demands.

## FIRST

**Green & Social "Schuldschein" (bond)  
in the German dairy industry**

With our MEGGLE Green & Social Schuldschein in 2017, we chose a sustainable investment instrument to refinance our new lactose production site in Wasserburg, Germany.

## BUSINESS PERFORMANCE

With a turnover of close to one billion euros in 2018 and an equity ratio of 41,5%, the MEGGLE Group shows solid economic and financial standing in an increasingly pressured and volatile global dairy market. Meanwhile, we consciously contribute to the prosperity, stability and wellbeing of the societies we live in with our direct and indirect taxes, with the employment we provide, as well as through the revenues of our partners in the value chain.

In 2019, based on our solid and future-oriented business models, our solid financial basis, our product quality and dedicated employees, Toni Meggle transferred the company into the Toni MEGGLE Foundation to safeguard the independent development of the company.

### FINANCIAL KEY FIGURES 2018:

#### SALES



mn €  
Unit

**916.1**  
MEGGLE Group

**586.8**  
Meggle Wasserburg

#### EQUITY



mn €  
Unit

**200.1**  
MEGGLE Group

**38.5**  
Meggle Wasserburg

#### DEBT CAPITAL



mn €  
Unit

**282.1**  
MEGGLE Group

**134.4**  
Meggle Wasserburg

#### TAXES



mn €  
Unit

**10.7**  
MEGGLE Group

**4.1**  
Meggle Wasserburg

# REGIONAL IMPACTS

As a dairy company with local sourcing of raw milk and significant whey and cream processing, MEGGLE has been closely connected to the regions of our production sites for decades. MEGGLE supports and benefits from sound regional development by having competent business partners and suppliers as well as from sourcing competent, well-qualified staff.

MEGGLE also has a decade-long tradition of regional social engagement. Donations are given to the cultural as well as the social sphere (see also chapter on → [Materiality & Stakeholders](#)).



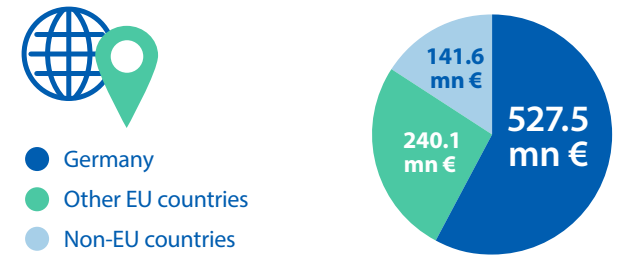
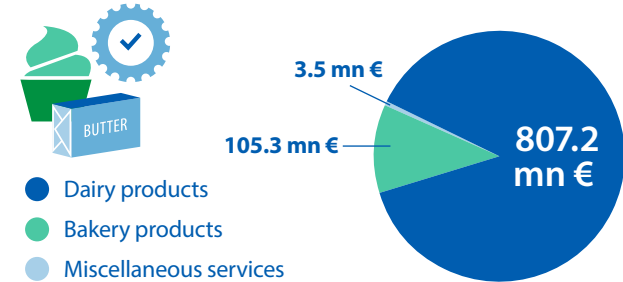
## INDIRECT ECONOMIC IMPACTS

Impact	Type of impact	Significance	Description
Significant regional employer	positive	high	Supporting the region with strong buying power via living wages paid to employees
Important regional employer for qualified apprentices	positive	high	Offering young people excellent opportunities for high quality education and training on the job and a promising professional future
Payment of corporate tax and local tax	positive	high	Local taxes support local authorities with funds to finance governmental projects and educational needs. Infrastructure projects can be realised, benefitting the entire community
Business partners, dairy farmers and regional suppliers of our dairy sites	positive	high	Regional procurement of raw milk from dairy farmers, service providers

## MEGGLE SALES 2018\*



thereof...



\* MEGGLE Group

9.

# KEY FIGURES

ENVIRONMENTAL*					
Performance indicator			2018	2017	Comment
<b>Materials</b>	Total purchased material	mn kg	703.3	717.2	
	Raw milk	mn kg	277.2	276.2	
	Other dairy ingredients	mn kg	387.3	403.9	
	Other non-dairy ingredients	mn kg	32.3	33.8	
	Packaging material	mn kg	4.6	1.2	More packaging material was purchased in 2017, but calculation of weight was not possible. In 2018 we optimised our recording of packaging material weight, all product packaging is now recorded in kg.
	Other materials	mn kg	1.9	2.1	e.g. processing aids, cleaning agents
<b>Purchased energy</b>	Total	mn GJ	1.6	1.6	We use renewable energies only via the share in the German energy mix. This share cannot currently be reported.
	Natural gas	mn GJ	1.6	1.6	
	Fuel oil	GJ	600	540	
	Diesel	GJ	17,000	6,000	
	Electricity	GJ	12,000	21,000	
<b>GHG emissions</b>	Total	t CO <sub>2</sub> e	1,482,217.1	1,757,364	Calculation of CO <sub>2</sub> e emissions is based on Greenhouse Gas Protocol Standards. Emission factor sources are ecoinvent, GEMIS and DEFRA.
	Scope 1	t CO <sub>2</sub> e	87,767.2	90,110	
	Scope 2	t CO <sub>2</sub> e	1,135.3	3,246	Market-based
	Scope 3	t CO <sub>2</sub> e	1,393,314.6	1,664,008	

\* Molkerei MEGGLE Wasserburg GmbH & Co. KG

Performance indicator			2018	2017	Comment
<b>Water withdrawal</b>	Ground water	mn m <sup>3</sup>	2.39	2.58	
<b>Wastewater</b>	Total discharges	mn m <sup>3</sup>	2.5	2.7	Small amounts of wastewater are handed over to the municipality, which are primarily sanitary wastewater. In 2017 an overflow of process waste water (0.2 mn m <sup>3</sup> ) was handed over to the municipality.
	Wastewaters	mn m <sup>3</sup>	1.9	1.9	Completely treated in our own sewage treatment plant
	Water from production	mn m <sup>3</sup>	0.6	0.7	A quality so that it can be directly discharged into the river Inn without any further treatment
<b>Waste by type</b>	Total waste	t	3,730	4,420	
	Biogas	%	29.9	33.8	
	Incineration	%	15.3	17.0	
	Landfill (construction waste)	%	1.9	3.9	
	Recycling	%	15.7	13.3	
	Agricultural use and recultivation	%	37.2	31.0	

\* Molkerei MEGGLE Wasserburg GmbH & Co. KG



SOCIAL*			2018	2017	Comment
Performance indicator					
<b>Employees</b>	Total	HC**	991	1,002	
	Female	HC**	238	230	
	Male	HC**	753	772	
	Part-time	HC**	78	66	
	Apprentice	HC**	53	55	
	German nationality	%	86	87	
	Turkish nationality	%	7	8	
	Other EU-nationalities	%	3	3	
	Other non-EU-nationalities	%	3	2	
	Disabled	%	3	3	
	< 30 years	%	25	26	
	30–50 years	%	48	46	
	> 50 years	%	27	28	
<b>Training hours per employee</b>	Total average	h	9.1	10.3	
	Senior Management	h	17.0	–	Data not available for 2017
	Middle Management	h	13.1	–	Data not available for 2017
	White Collar Workers	h	11.7	–	Data not available for 2017
	Blue Collar Workers	h	6.9	–	Data not available for 2017
	Apprentices	h	10.4	–	Data not available for 2017
	Interns	h	9.5	–	Data not available for 2017

\* Molkerei MEGGLE Wasserburg GmbH & Co. KG | \*\* headcount

Performance indicator			2018	2017	Comment
<b>Accidents</b>	Total	number	43	43	Only reportable incidents (> 3 days)
	Accidents at work	number	34	32	
	Commuting accidents	number	9	11	
	Fatal accidents	number	0	0	
	Accident frequency rate / 1 mn working hours		28.1	20.9	
	Accident frequency rate / 1,000 employees		45.4	42.9	
	Severity rate (days/accident)		13.4	9.4	
	Severity rate / 1 mn working hours		375	216	
<b>Lost days due to illness</b>	Total	days	18,382	14,057	Only reportable incidents (> 3 days)
	Due to occupational diseases	days	0	0	
	Due to accidents	days	625	403	
<b>Turnover rate</b>		%	8	9	
<b>New hires</b>	Total	HC**	68	52	
	Female	HC**	45	22	
	Male	HC**	23	30	
<b>Parental leave</b>	Total	HC**	46	46	
	Female	HC**	26	33	
	Male	HC**	20	13	
	Return rate	%	88	–	Data not available for 2017

\* Molkerei MEGGLE Wasserburg GmbH &amp; Co. KG | \*\* headcount

<b>ECONOMIC*</b>				
<b>Performance indicator</b>		<b>2018</b>	<b>2017</b>	<b>Comment</b>
<b>Sales</b>	mn €	586.8	646.1	
<b>Equity</b>	mn €	38.5	38.5	
<b>Equity ratio</b>	%	22.3	19.5	
<b>Dept capital</b>	mn €	134.4	158.8	

<b>ECONOMIC MEGGLE GROUP</b>				
<b>Performance indicator</b>		<b>2018</b>	<b>2017</b>	<b>Comment</b>
<b>Sales</b>	mn €	916.1	957.9	
<b>Equity</b>	mn €	200.1	187.6	
<b>Equity ratio</b>	%	41.5	36.8	
<b>Dept capital</b>	mn €	282.1	321.7	
<b>Proportion of local suppliers of total suppliers</b>	%	75	75	

\* Molkerei MEGGLE Wasserburg GmbH & Co. KG

# GRI CONTENT INDEX

**GRI CONTENT INDEX**

Unless stated otherwise, GRI disclosures apply to Molkerei MEGGLE Wasserburg GmbH & Co. KG, see also → [About this Report](#)







<b>GRI Standard</b>	<b>Disclosure</b>	<b>Topic Boundary</b>	<b>Chapter</b>	<b>Page reference</b>	<b>Comment</b>
<b>GENERAL DISCLOSURES</b>					
<b>1 Organisational Profile</b>					
<b>102-1</b>	<b>Name of the organization</b>		About this Report	2	
<b>102-2</b>	<b>Activities, brands, products and services</b>		Products	25ff.	Our organization does not sell any products and/or services which are banned or disputed in certain markets, or those which are the subject of stakeholder questions or public debate.
<b>102-3</b>	<b>Location of headquarters</b>		About MEGGLE	12	
<b>102-4</b>	<b>Location of operations</b>		About MEGGLE	6	
<b>102-5</b>	<b>Ownership and legal form</b>		About MEGGLE	12	
<b>102-6</b>	<b>Markets served</b>		About MEGGLE, Products	7, 26 ff.	
<b>102-7</b>	<b>Scale of the organization</b>		About MEGGLE, Business Practices	6, 61	
<b>102-8</b>	<b>Information on employees and other workers</b>		People	48	
<b>102-9</b>	<b>Supply chain</b>		Our Approach, Supply Chain	15ff., 34ff.	
<b>102-10</b>	<b>Significant changes to the organization and its supply chain</b>		About this Report	2	
<b>102-11</b>	<b>Precautionary Principle or approach</b>		About MEGGLE, Our Approach	8f., 14f.	









GRI Standard	Disclosure	Topic Boundary	Chapter	Page reference	Comment
102-12	External initiatives		Materiality & Stakeholders	24	
102-13	Membership of associations		Materiality & Stakeholders	24	
<b>2 Strategy</b>					
102-14	Statement from senior decision-maker		CEO letter	4	
102-15	Key impacts, risks and opportunities		Our Approach	14ff.	
<b>3 Ethics and integrity</b>					
102-16	Values, principles, standards and norms of behaviour decision-maker		About MEGGLE	8, 10	
102-17	Mechanisms for advice and concerns about ethics		Business Practices	59.	
<b>4 Governance</b>					
102-18	Governance structure		Our Approach	8, 10	Our organization has the following governing bodies and committees in the governance structure: executive board members of MEGGLE AG, supervisory board, shareholders' committee.
102-19	Delegating authority		Our Approach	14	
102-20	Executive-level responsibility for economic, environmental and social topics		Our Approach	14	
102-21	Consulting stakeholders on economic, environmental and social topics		Materiality & Stakeholders	21ff.	









GRI Standard	Disclosure	Topic Boundary	Chapter	Page reference	Comment
102-26	Role of highest governance body in setting purpose, values and strategy		Our Approach	14	
102-29	Identifying and managing economic, environmental and social impacts		Materiality & Stakeholders	21ff.	
102-30	Effectiveness of risk management processes		Our Approach	15	
102-31	Review of economic, environmental and social topics		Our Approach	15	
102-32	Highest governance body's role in sustainability reporting		About this Report	2	
102-33	Communicating critical concerns		Business Practices	59	
102-34	Nature and total number of critical concerns		Business Practices	59.	The highest governance body reviews the effectiveness of the organisation's risk management processes for economic, environmental and social topics. The confidential treatment of critical issues has the highest priority for us. For this reason, no information is published.
102-35	Remuneration policies		People	55f.	
102-36	Process for determining remuneration		People	55f.	
102-38	Annual total compensation ratio		People	55	
<b>5 Stakeholder engagement</b>					
102-40	List of stakeholder groups		Materiality & Stakeholders	21	
102-41	Collective bargaining agreements		People	xx	
102-42	Identifying and selecting stakeholders		Materiality & Stakeholders	21f.	






<b>GRI Standard</b>	<b>Disclosure</b>	<b>Topic Boundary</b>	<b>Chapter</b>	<b>Page reference</b>	<b>Comment</b>
102-43	<b>Approach to stakeholder engagement</b>		Materiality & Stakeholders	21f.	
102-44	<b>Key topics and concerns raised</b>		Materiality & Stakeholders	22	
<b>6 Reporting practice</b>					
102-45	<b>Entities included in the consolidated financial statements</b>		–	–	The Consolidated Financial Statements of year end comprise more than 30 fully consolidated subsidiaries and 3 consolidated associations. The Consolidated Financial statements are published in accordance with Section 325 HGB in the German Federal Gazette. Please refer to <a href="http://www.bundesanzeiger.de">www.bundesanzeiger.de</a> or <a href="http://www.unternehmensregister.de">www.unternehmensregister.de</a>
102-46	<b>Defining report content and topic boundaries</b>		About this Report	2	
102-47	<b>List of material topics</b>		Materiality & Stakeholders	23	
102-48	<b>Restatements of information</b>		About this Report	2	
102-49	<b>Changes in reporting</b>		About this Report	2	
102-50	<b>Reporting period</b>		About this Report	2	
102-51	<b>Date of most recent report</b>		About this Report	2	
102-52	<b>Reporting cycle</b>		About this Report	2	
102-53	<b>Contact point for questions regarding the report</b>		Imprint	81	
102-54	<b>Claims of reporting in accordance with the GRI Standards</b>		About this Report	2	
102-55	<b>GRI content index</b>		GRI Content Index	68	
102-56	<b>External assurance</b>		About this Report	2	








GRI Standard	Disclosure	Topic Boundary	Chapter	Page reference	Comment
<b>SPECIFIC DISCLOSURES</b>					
<b>ECONOMIC</b>					
103-1/2/3	<b>Management approach GRI 200 - Economic</b>		Business Practices, About MEGGLE	6, 8, 10, 58ff.	
<b>Economic performance</b>		 			
201-1	<b>Direct economic value generated and distributed</b>		Business Practices	60	
201-2	<b>Financial implications and other risks and opportunities due to climate change</b>		Our Approach	14f.	
201-4	<b>Financial assistance received from government</b>		–	–	None. No governmental organisation is involved as a shareholder of our organisation.
<b>Market presence</b>		 			
202-2	<b>Proportion of senior management hired from the local community</b>		People	56	
<b>Indirect economic impacts</b>		 			
203-1	<b>Infrastructure investments and services supported</b>		Business Practices	61	
203-2	<b>Significant indirect economic impacts</b>		Business Practices	61	






GRI Standard	Disclosure	Topic Boundary	Chapter	Page reference	Comment
<b>Procurement practices</b>		 			
204-1	<b>Proportion of spending on local suppliers</b>		Supply Chain	36	
<b>Anti-corruption</b>		 			
205-2	<b>Communication and training about anti-corruption policies and procedures</b>		Business Practices	58	
205-3	<b>Confirmed incidents of corruption and actions taken</b>		–	–	During the reporting period there were no incidents of corruption in our organisation
<b>Anti-competitive behavior</b>		 			
206-1	<b>Legal actions for anti-competitive behavior, anti-trust, and monopoly practices</b>		–	–	One legal case is pending for our site in Slovakia
<b>ENVIRONMENTAL</b>					
103-1/2/3	<b>Management Approach for GRI 300: Environment</b>		Our Approach, Environment	14ff., 41ff.	
<b>Materials</b>		 			
301-1	<b>Materials used by weight or volume</b>		Supply Chain	35	
301-3	<b>Reclaimed products and their packaging materials</b>		Products	39	







GRI Standard	Disclosure	Topic Boundary	Chapter	Page reference	Comment
<b>Energy</b>		 			
302-1	<b>Energy consumption within the organization</b>		Key Figures	63	
302-5	<b>Reductions in energy requirements for products and services</b>		–	–	We have not taken any measures to reduce the energy consumption of our sold products or services.
<b>Water</b>		 			
303-1	<b>Water withdrawal by source</b>		Key Figures	64	
303-2	<b>Water sources significantly affected by withdrawal of water</b>		Environment	44	
<b>Emissions</b>		 			
305-1	<b>Direct (Scope 1) GHG emissions</b>		Environment	42	
305-2	<b>Indirect (Scope 2) GHG emissions</b>		Environment	42	
305-3	<b>Other indirect (Scope 3) GHG emissions</b>		Environment	42	
<b>Effluents and waste</b>		 			
306-1	<b>Water discharge by quality and destination</b>		Environment	45	
306-2	<b>Waste by type and disposal method</b>		Environment	45	
306-3	<b>Significant spills</b>		–	–	see GRI 307-1

GRI Standard	Disclosure	Topic Boundary	Chapter	Page reference	Comment
306-4	Transport of hazardous waste		–	–	none
306-5	Water bodies affected by water discharges and/or runoff		–	–	none
<b>Environmental compliance</b>		 			
307-1	Non-compliance with environmental laws and regulations		–	–	During the reporting period one case of environmental non-compliance was reported at our Rajo site (Slovakia) due to a malfunction of the sewer.
<b>Supplier environmental assessment</b>		 			
308-1	New suppliers that were screened using environmental criteria		Supply Chain	36	
308-2	Negative environmental impacts in the supply chain and actions taken		–	–	None were brought to our attention during the reporting period.
<b>SOCIAL</b>					
103-1/2/3	Management Approach for GRI 400: Social		Our Approach, Materiality & Stakeholders, Supply Chain, People, Business Practices	14ff., 21f., 36, 47ff., 58	
<b>Employment</b>					
401-1	New employee hires and employee turnover		People	52	

GRI Standard	Disclosure	Topic Boundary	Chapter	Page reference	Comment
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees		–	–	Our employees with fixed-term or part-time work contracts are granted the same benefits as full-time employees.
401-3	Parental leave		People	52	
<b>Labor/Management relations</b>		☑			
402-1	Minimum notice periods regarding operational changes		–	–	Employees and their representatives are typically informed as soon as possible about significant operational changes, which could fundamentally affect them. Co-determination in our organization is regulated by collective bargaining agreements.
<b>Occupational health and safety</b>		☑			
403-1	Workers representation in formal joint management–worker health and safety committees		–	–	100% of our workers are represented in formal joint management–worker health and safety committees
403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, as well as number of work-related fatalities		Key Figures	66	
403-3	Workers with high incidence or high risk of diseases related to their occupation		People	53	
403-4	Health and safety topics covered in formal agreements with trade unions		–	–	Our organisation has no formal agreements with trade unions concerning safety and health at the workplace.

GRI Standard	Disclosure	Topic Boundary	Chapter	Page reference	Comment
<b>Training and education</b>					
404-1	Average hours of training per year per employee		People	50	
404-2	Programs for upgrading employee skills and transition assistance programs		People	50f.	
404-3	Percentage of employees receiving regular performance and career development reviews		People	51	
<b>Diversity and equal opportunity</b>					
405-1	Diversity of governance bodies and employees		People	56	
405-2	Ratio of basic salary and remuneration of women to men		People	55	
<b>Non-discrimination</b>					
406-1	Incidents of discrimination and corrective actions taken		People	55	
<b>Freedom of association and collective bargaining</b>		 			
407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk		-	-	At MEGGLE's business locations there are no risks regarding employees' right to freedom of association or collective bargaining, child or forced labour. For direct suppliers ETI Base Code is installed via general terms and conditions or contracts.

GRI Standard	Disclosure	Topic Boundary	Chapter	Page reference	Comment
<b>Child labor</b>					
408-1	<b>Operations and suppliers at significant risk for incidents of child labor</b>		-	-	At MEGGLE's business locations there are no risks regarding employees' right to freedom of association or collective bargaining, child or forced labour. For direct suppliers ETI Base Code is installed via general terms and conditions or contracts.
<b>Forced or compulsory labor</b>					
409-1	<b>Operations and suppliers at significant risk for incidents of forced or compulsory labor</b>		-	-	
<b>Local communities</b>					
413-1	<b>Operations with local community engagement, impact assessments and development programs</b>		Materiality & Stakeholders	24	
413-2	<b>Operations with significant actual and potential negative impacts on local communities</b>		Materiality & Stakeholders, Business Practices	24, 61	
<b>Supplier social assessment</b>		 			
414-1	<b>New suppliers that were screened using social criteria</b>		Supply Chain	36	
414-2	<b>Negative social impacts in the supply chain and actions taken</b>		-	-	None were brought to our attention during the reporting period.

GRI Standard	Disclosure	Topic Boundary	Chapter	Page reference	Comment
<b>Customer health and safety</b>		 			
416-1	<b>Assessment of the health and safety impacts of product and service categories</b>		Products	31	
416-2	<b>Incidents of non-compliance concerning the health and safety impacts of products and services</b>		Products	32	
<b>Marketing and labeling</b>		 			
417-1	<b>Requirements for product and service information and labeling</b>		Products	32	
417-2	<b>Incidents of non-compliance concerning product and service information and labeling</b>		Products	32	
417-3	<b>Incidents of non-compliance concerning marketing communications</b>		Products	32	
<b>Customer privacy</b>		 			
418-1	<b>Substantiated complaints concerning breaches of customer privacy and losses of customer data</b>		–	–	None were brought to our attention during the reporting period.
<b>Socioeconomic compliance</b>					
419-1	<b>Non-compliance with laws and regulations in the social and economic area</b>		–	–	During the reporting period issues registered were investigated and closed.



## IMPRINT

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