



Emmi Sustainability Report 4

As of November 2017

Emmi's Sustainability Report 4 is its first to be based on the G4 version of the Global Reporting Initiative (GRI) guidelines and their specifications for the food industry (G4 sector disclosures food processing). The three previous sustainability reports from Emmi AG (Emmi) were produced after the GRI guidelines but on the basis of the G3 version.

The GRI-G4 guidelines offer organisations two options when it comes to preparing a sustainability report. Emmi's Sustainability Report 4 has been drafted in accordance with the Core option while also including information over and above that required by the GRI.

While Emmi's communications on sustainability over past years have always consisted of a full report and a supplementary GRI Index, its Sustainability Report 4 consists only of the GRI Index here. The decision to produce it in this form has been motivated by the intention that the publication should provide interested parties with all relevant information on sustainability at Emmi in a compact format adapted to GRI requirements. This report follows the practice of its predecessors in referring back to earlier publications where facts on sustainability at Emmi (the story of its development, for example) remain unchanged. You can find more information and full reports on projects and activities online at www.emmi.com/sustainability.

Quite apart from the GRI guideline on which it is based, the most significant difference between this Emmi sustainability report and its three predecessors is its scope. For the first time, the report covers Emmi's activities not only in Switzerland but also globally.

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Foreword

Dear Reader

Although many sustainability aspects at Emmi are incorporated into day-to-day operations, we took the decision two years ago to set up a Sustainability Department, and to name it as such. This decision took some time to reach maturity as Emmi operates in a competitive environment that requires careful cost control. It is the consequence of Emmi's commitment to raising the issue of sustainability to a strategic level.

In our last Sustainability Report, we presented to you those issues on which we wish to focus, as we believe that these are the areas in which we can achieve and need to do the most. We have used the two years since then to define our objectives within these four focus issues in consultation with our stakeholders, in specialist committees and at Board and Group Management level.

We consider our sustainability objectives, which we adopted and communicated in autumn 2016, to be ambitious yet achievable. In implementing them, we face two particularly significant challenges: First, we understand our sustainability ambitions to be global. This means that a significant contribution is now also required from our numerous subsidiaries outside of Switzerland. In these countries, we have to adapt our approach to local conditions. Second, we are for the first time influencing both the up- and downstream stages of our value chain. This is new for our partners, and requires development work.

We hope that this work will pay off in the medium term and that we can persuade you – our partners, customers and consumers – of our serious efforts to promote sustainability.

Konrad Graber
Chairman of the Emmi Board of Directors

Urs Riedener
CEO Emmi Group

List of abbreviations

SR 4	Fourth edition of the Emmi Sustainability Report / this GRI index (published in autumn 2017)
<u>SR 3</u>	Third edition of the Emmi Sustainability Report (published in summer 2015)
<u>SR 2</u>	Second edition of the Emmi Sustainability Report (published in autumn 2013)
<u>SR 1</u>	First edition of the Emmi Sustainability Report (published in summer 2011)
<u>AR 2016</u>	Report on financial year 2016 (published in March 2017)
<u>AR 2015</u>	Report on financial year 2015 (published in March 2016)
<u>SP 2016</u>	Emmi Short Profile (published in May 2017)
n. sp.	not specified
n. r.	not relevant
cont.	continuation



GENERAL STANDARD DISCLOSURES

General Standard Disclosures	Page Number (or Link) Information related to Standard Disclosures required by the 'in accordance' options may already be included in other reports prepared by the organization. In these circumstances, the organization may elect to add a specific reference to where the relevant information can be found.	External Assurance Indicate if the Standard Disclosure has been externally assured. If yes, include the page reference for the External Assurance Statement in the report.
STRATEGY AND ANALYSIS		
G4-1	SR 4: p. 3, 9	No
ORGANIZATIONAL PROFILE		
G4-3	SR 4: p. 11	No
G4-4	SR 4: p. 11	No
G4-5	SR 4: p. 12	No
G4-6	SR 4: p. 13	No
G4-7	SR 4: p. 13	No
G4-8	SR 4: p. 14	No
G4-9	SR 4: p. 15 - 20	No
G4-10	SR 4: p. 22 - 25	No
G4-11	SR 4: p. 25	No
G4-12	SR 4: p. 27	No
G4-13	SR 4: p. 28	No
G4-14	SR 4: p. 29	No
G4-15	SR 4: p. 30	No
G4-16	SR 4: p. 32 - 36	No

IDENTIFIED MATERIAL ASPECTS AND BOUNDARIES		
G4-17	SR 4: p. 37	No
G4-18	SR 4: p. 37 - 47	No
G4-19	SR 4: p. 47	No
G4-20	SR 4: p. 48	No
G4-21	SR 4: p. 48	No
G4-22	SR 4: p. 49	No
G4-23	SR 4: p. 49	No
STAKEHOLDER ENGAGEMENT		
G4-24	SR 4: p. 50	No
G4-25	SR 4: p. 51	No
G4-26	SR 4: p. 51	No
G4-27	SR 4: p. 51	No
REPORT PROFILE		
G4-28	SR 4: p. 52	No
G4-29	SR 4: p. 52	No
G4-30	SR 4: p. 52	No
G4-31	SR 4: p. 52	No
G4-32	SR 4: p. 52	No
G4-33	SR 4: p. 52	No
GOVERNANCE		
G4-34	SR 4: p. 53	No
ETHICS AND INTEGRITY		
G4-56	SR 4: p. 67	No

SPECIFIC STANDARD DISCLOSURES

DMA and Indicators	Page Number (or Link)	Identified Omission(s)	Reason(s) for Omission(s)	Explanation for Omission(s)	External Assurance
	Information related to Standard Disclosures required by the 'in accordance' options may already be included in other reports prepared by the organization. In these circumstances, the organization may elect to add a specific reference to where the relevant information can be found.	In exceptional cases, if it is not possible to disclose certain required information, identify the information that has been omitted.	In exceptional cases, if it is not possible to disclose certain required information, provide the reason for omission.	In exceptional cases, if it is not possible to disclose certain required information, explain the reasons why the information has been omitted.	Indicate if the Standard Disclosure has been externally assured. If yes, include the page reference for the External Assurance Statement in the report.

CATEGORY: ECONOMIC

MATERIAL ASPECT: ECONOMIC PERFORMANCE

G4-DMA	SR 4: p. 77	None			No
G4-EC1	SR 4: p. 77	None			No

MATERIAL ASPECT: PROCUREMENT PRACTICES

G4-DMA	SR 4: p. 78	None			No
G4-EC9	SR 4: p. 82	The share of dairy farmers, which today meets the conditions applicable from 2020 for milk processed by Emmi in Switzerland, can not yet be quantified.	The information is currently unavailable.	SR 4: p. 82 The final criteria for the sustainability standard applicable from 2020 for the milk processed by Emmi in Switzerland are not yet available.	No

CATEGORY: ENVIRONMENTAL

MATERIAL ASPECT: EMISSIONS

G4-DMA	SR 4: p. 84	None			No
G4-EN15	SR 4: p. 89	None			No

MATERIAL ASPECT: EFFLUENTS AND WASTE

G4-DMA	SR 4: p. 91 - 92, 94	None			No
G4-EN23	SR 4: p. 95	The total weight of the waste is only available for production sites in Switzerland.	The information is currently unavailable.	SR 4: p. 95 Production sites outside Switzerland currently do not have a waste management system that allows the evaluation of the total weight of the waste by type and disposal method.	No

CATEGORY: SOCIAL

SUB-CATEGORY: LABOR PRACTICES AND DECENT WORK

MATERIAL ASPECT: TRAINING AND EDUCATION

G4-DMA	SR 4: p. 96	None			No
G4-LA10	SR 4: p. 98	None			No
G4-LA11	SR 4: p. 100	None			No

GENERAL STANDARD DISCLOSURES

1 Strategy and Analysis

'In accordance' – Core: G4-1

GRI no.	Reporting element	Link	Comments
G4-1	Statement from the most senior decisionmaker of the organization	SR 4: p. 3	
G4-2	Description of key impacts, risks, and opportunities	AR 2016 : p. 88	<p>General risks → Extract from the annual report 2016</p> <p>The Board of Directors of Emmi AG approved the risk assessment in the year under review and is monitoring the implementation of the defined measures by Group Management. No exceptional risks that went beyond normal limits were identified during the assessment. The process is repeated annually. The following risks, among others, were identified as significant risks to the Emmi Group:</p> <ul style="list-style-type: none"> - Milk price difference internationally: The milk price difference between Switzerland and other countries reached new highs in 2016. This has a negative impact on the sales of products from Swiss production both in Switzerland and abroad. Although full liberalisation of the Swiss milk market remains a long-term risk, this is absorbed through targeted and sustainable growth abroad. The risks related to the international growth of the Emmi Group are minimised by consistent focus on the strategy and its implementation. - Currency risk: The political environment and currencies are becoming more volatile. By making purchases in foreign currencies a natural hedge is ensured. Furthermore, under the Emmi strategy, expenditure and production in foreign currency zones are being increased through capital expenditures and acquisitionp. - Price pressure: National and international product tenders are threatening to result in price erosion, which could lead to a loss of margin mainly for generic productp. If the prices of Emmi products remain stable in foreign currency, this may lead to a margin losp. If prices increase, market shares might be lost. However, the successfully established Emmi brands offer long-term value creation potential.

GRI no.	Reporting element	Link	Comments
G4-2 cont.		CDP-questionary 2017	<p>Impacts of sustainability trends, risks and opportunities on Emmi</p> <p><u>General</u></p> <p>As a food company, Emmi is affected by sustainability trends, risks and opportunities along the entire value chain. The greatest risks occur in procurement as the availability, quality and price of agricultural raw materials are heavily dependent on climatic conditions, among other factors. As a food manufacturer, Emmi is primarily affected by environmental regulatory issues in processing. In product sales, sustainability trends with an impact on food generate both opportunities and risk.</p> <p><u>Carbon Disclosure Project</u></p> <p>A comprehensive assessment of the opportunities and risks associated with climate change for Emmi was carried out in June 2017 as part of the CDP survey.</p> <p><u>Risk analysis for the value chain</u></p> <p>As part of its partnership with WWF Switzerland, Emmi's value chain was evaluated for sustainability risks in 2016. As Emmi does not yet carry out any systematic risk monitoring or management with a focus on sustainability risks, the following suggestions for improvement were made:</p> <ul style="list-style-type: none"> - The relevant raw materials should be subject to a risk analysis. - As water represents the no. 1 global economic risk, Emmi's business activities should be reviewed for corresponding risk. - The risks identified must be prioritised, and objectives and appropriate measures then developed based on these. - The findings from these analyses should be taken into account in fundamental processes and documents (such as corporate policies, supplier codes of conduct, audits and training). - In 2017, Emmi's central Purchasing department launched a project to introduce comprehensive risk management in procurement. This takes into account economic, environmental and social risk. Based on this analysis, procurement guidelines are then formulated where necessary.

2 Organizational Profile

'In accordance' – Core: G4-3 to G4-16

GRI no.	Reporting element	Link	Comments
G4-3	Name of the organization	AR 2016 : p. 90-92, 104	Emmi In the context of this Sustainability Report, this term refers to the holding company Emmi AG as well as its Swiss sites and subsidiaries.
G4-4	Primary brands, products, and/or services	Types of all consolidated companies: AR 2016 : p. 90-92, 104 Websites of Emmi brands: AT: Walserstolz CH: Aktifit CH: Benecol CH: Caffè Latte CH: Der scharfe Maxx CH: Energy Milk CH: Gerber CH: Kaltbach CH: Luzerner CH: Qimiq	The production facilities belonging to the Emmi Group mostly manufacture products for private labels and private-label products for customers (e.g. retailers and food retailers). The principal labels are listed below (by country/company): Austria: Emmi, Walserstolz Chile: Benecol, Kids, Sin Lactosa Germany: Emmi, Gläserne Molkerei, Kaltbach, Onken Italy: Bonta Divina, Dessert Italiano!, Dolce Italia, Premium, Rachelli Netherlands: Bettine, Emmi Switzerland: Aktifit, Benecol, Caffè Latte, Comella, Der scharfe Maxx, Energy Milk, Emmi, Gala, Gerber, Kaltbach, Luzerner, Qimiq Spain: Actif, Benecol, Bifi, Caffè Latte, Delicapra, Sin Lactosa, VitaTEN Tunisia: Vitalait USA: Green Valley Oranics, Meyenberg, Redwood Hill Farm, Roth

GRI no.	Reporting element	Link	Comments
G4-4 cont.		CL: Surlat DE: Gläserne Molkerei DE: Onken ES: Kaiku IT: Bonta Divina IT: Dessert Italiano! IT: Dolce Italia IT: Premium IT: Rachelli NED: Bettine TUN: Vitalait UK: Onken USA: Cypress Grove USA: Green Valey Organics USA: Meyenberg USA: Roth	
G4-5	Location of the organization's headquarters		Lucerne (Switzerland)

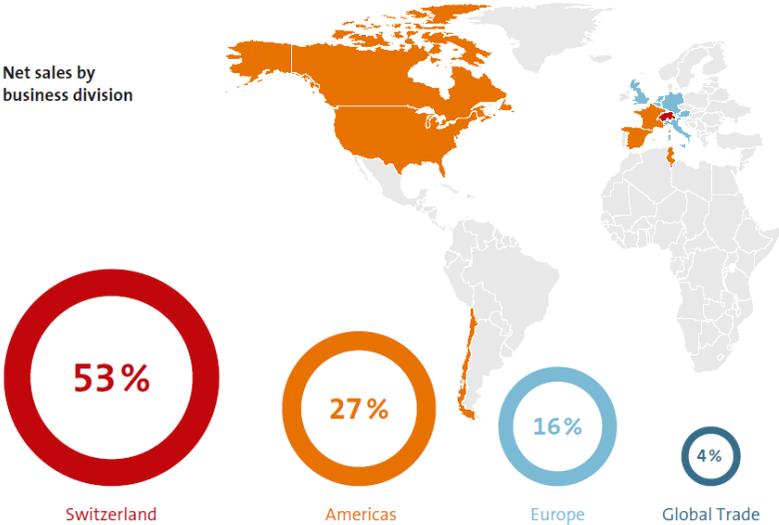
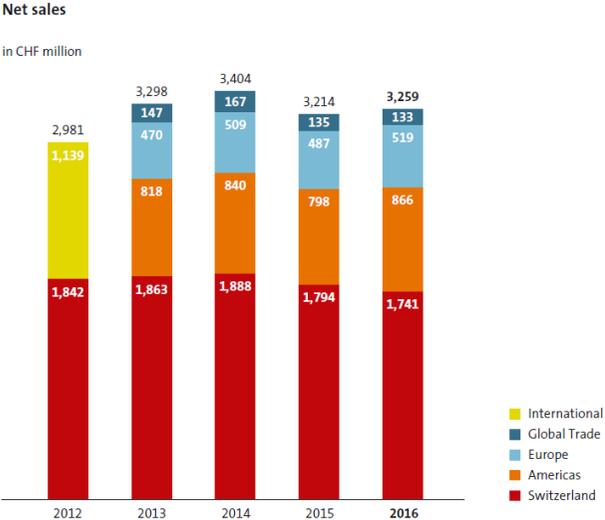
GRI no.	Reporting element	Link	Comments
G4-6	Number of countries where the organization operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report	Summary of consolidated companies, associates and joint ventures: AR 2016 : p. 90-93, 104	<p>Number of countries in which Emmi is represented by subsidiaries or participations:</p> <ul style="list-style-type: none"> - Consolidated companies in 13 countries (Austria, Belgium, Canada, Chile, France, Germany, Great Britain, Italy, Netherlands, Spain, Switzerland, Tunisia, USA) - Associates and joint ventures in countries mentioned above, Brazil (since 2017) and Mexico <p>Countries with significant activities:</p> <ul style="list-style-type: none"> - Largest markets in sales terms: Switzerland, USA, Spain, Germany, Tunisia <p>Countries with special materiality for sustainability topics:</p> <ul style="list-style-type: none"> - Relevant criteria: number of employees, production activities, sales → Chile, Germany, Italy, Netherlands, Switzerland, Spain, Tunisia, USA
G4-7	Nature of ownership and legal form	Shareholders: AR 2016 : p. 88	<p>Emmi Schweiz AG (holding company) is a stock corporation under Swiss law. Its shares are listed in the Local Caps segment on the SWX Swiss Exchange.</p> <p>The majority of shares (62,0 % as at 31.12.2016) are held by ZMP Invest AG/Lucerne, the Zentralschweizer Milchkäufer-verband/Willisau and the MIBA Milchverband der Nordwestschweiz/Basel. They form a group in the sense of Article 121 FinfraG.</p>

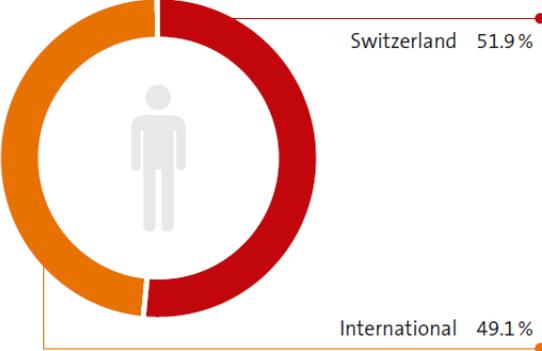
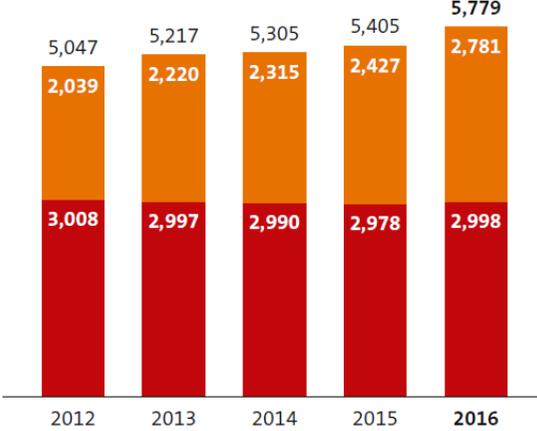
GRI no.	Reporting element	Link	Comments
G4-8	Markets served	<p>Sales by geographical regions: AR 2016: p. 74-75</p>	<p>Emmi has a presence in 15 countries through subsidiaries and holdingp. These countries are allocated to the two business divisions Europe and Americas, each under an Executive Vice President. Due to its considerable importance as a production location and sales market, the Swiss market is a separate business division. Countries in which Emmi does not have a presence through a subsidiary or holding and which are primarily served with export products from Switzerland are combined in the business division Global Trade. The main focuses in this business division are on Asia and Eastern and Southern Europe.</p> <p>Sales (financial year 2016) by geographical regions (in CHF 000s):</p> <ul style="list-style-type: none"> - Switzerland: 1'741'316 - Europe excl. Switzerland: 872'934 - North- and South America: 462'345 - Africa: 142'492 - Asia/Pacific: 39'738

G4-8
cont.

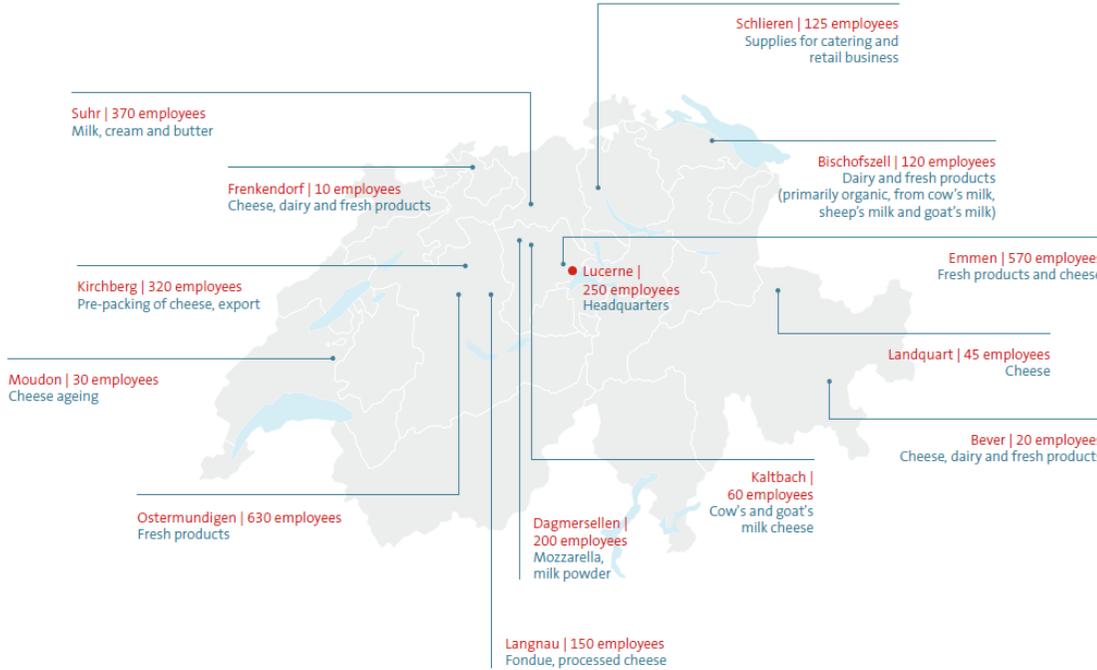
Sales by divisions:
[AR 2016](#): p. 2, 58-60, 74-75

Sales by divisions



GRI no.	Reporting element	Link	Comments																								
G4-9	Scale of the reporting organization	<p>Number of employees: AR 2016: p. 22</p>	<p>Customers Emmi and its subsidiaries sell their products largely to retailers and wholesalerp. Some Emmi Group companies (Emmi Schweiz, Goat Milk Powder, Lácteos Caprinos) also count the food industry among their customerp. Direct sales to consumers only occur in exceptional cases (via own retail stores; Emmi Schweiz: Chäsbueb, factory shops; Cowgirl Creamery: Tomales Bay Foods).</p> <p>Total number of employees Headcount Number of full-time equivalents (as at 31.12.)</p>   <table border="1"> <caption>Employee Headcount by Year and Region</caption> <thead> <tr> <th>Year</th> <th>Switzerland</th> <th>International</th> <th>Total</th> </tr> </thead> <tbody> <tr> <td>2012</td> <td>3,008</td> <td>2,039</td> <td>5,047</td> </tr> <tr> <td>2013</td> <td>2,997</td> <td>2,220</td> <td>5,217</td> </tr> <tr> <td>2014</td> <td>2,990</td> <td>2,315</td> <td>5,305</td> </tr> <tr> <td>2015</td> <td>2,978</td> <td>2,427</td> <td>5,405</td> </tr> <tr> <td>2016</td> <td>2,998</td> <td>2,781</td> <td>5,779</td> </tr> </tbody> </table>	Year	Switzerland	International	Total	2012	3,008	2,039	5,047	2013	2,997	2,220	5,217	2014	2,990	2,315	5,305	2015	2,978	2,427	5,405	2016	2,998	2,781	5,779
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GRI no.	Reporting element	Link	Comments
G4-9 cont.		Locations Switzerland: SP 2016 : p. 8	<p>As at the end of 2016, 86 companies were consolidated in the Emmi Group. The production facilities listed below are of particular relevance in relation to sustainability.</p> <p>Locations</p> <ul style="list-style-type: none"> - Around 20 production sites in Switzerland <ul style="list-style-type: none"> ○ Bever: production of regional milk products (dairy products, fresh products, cheese, fondue) ○ Bischofszell: production of organic dairy and fresh products from cow's, goat's and sheep's milk ○ Courgenay: production of Le Gruyère AOP ○ Dagmersellen: production of milk powder and fresh cheese (mainly Mozzarella) ○ Develier: production of Le Gruyère AOP ○ Emmen: production of dairy and fresh products and cheese ○ Frenkendorf: production of regional milk products (dairy products, fresh products, cheese, fondue) ○ Gossau: cheese ageing ○ Kaltbach: cheese ageing and production of various cheeses from cow's and goat's milk ○ Kirchberg: cheese ageing ○ Koppigen: production of raclette and other cheeses ○ Landquart: production of raclette and other cheeses and cheese ageing ○ Langnau im Emmental: production of processed cheese (mainly fondue) and fresh cheese ○ Luzern: cheese ageing ○ Moudon: cheese ageing ○ Ostermundigen: production of fresh products (mainly yogurt and drinks) ○ Rain: production of Le Gruyère AOP ○ Saignelégier: production of Tête de Moine AOP ○ Schlierbach: production of Emmentaler AOP

GRI no.	Reporting element	Link	Comments
G4-9 cont.			<ul style="list-style-type: none"> ○ Stein: production of Appenzeller® ○ Suhr: production of dairy products (milk, cream butter) ○ Wittenbach: cheese ageing ○ Zollikofen: cheese ageing  <p>The map displays the following production sites:</p> <ul style="list-style-type: none"> Suhr 370 employees: Milk, cream and butter Frenkendorf 10 employees: Cheese, dairy and fresh products Kirchberg 320 employees: Pre-packing of cheese, export Moudon 30 employees: Cheese ageing Ostermundigen 630 employees: Fresh products Lucerne 250 employees: Headquarters Dagmersellen 200 employees: Mozzarella, milk powder Langnau 150 employees: Fondue, processed cheese Schlieren 125 employees: Supplies for catering and retail business Bischofszell 120 employees: Dairy and fresh products (primarily organic, from cow's milk, sheep's milk and goat's milk) Emmen 570 employees: Fresh products and cheese Landquart 45 employees: Cheese Bever 20 employees: Cheese, dairy and fresh products Kaltbach 60 employees: Cow's and goat's milk cheese

G4-9 cont.			<ul style="list-style-type: none"> - 20 production sites outside of Switzerland (in Austria, Germany, Italy, the Netherlands, Spain, Tunisia and the USA) <ul style="list-style-type: none"> ○ Chile, Loncoche (Surlat): production of cheese ○ Chile, Pitrufoquen (Surlat): production of dairy and fresh products ○ Deutschland, Dechow (Gläserne Molkerei): production of organic milk products ○ Deutschland, Münchehofe (Gläserne Molkerei): production of organic milk products ○ Italien, Gattico (A-27): production of desserts ○ Italien, Lasnigo (Italian Fresh Foods): production of desserts ○ Italien, Pero Milano (Rachelli): production of desserts ○ Italien, Ranchio Valcuvia (A-27): production of desserts ○ Niederlande, Etten-Leur (Bettinehoeve): two sites for the production of fresh cheese and milk powder from goat's milk ○ Spanien, Campillo de Arenas (Lácteos Capriños): production of fresh cheese from goat's milk ○ Spanien, Pamplona (Lácteos de Navarra/«Kaiku»): production of dairy and fresh products ○ Tunesien, Mahdia (Centrale Laitière de Mahdia/«Vitalait»): production of dairy and fresh products ○ USA, Arcata (Cypress Grove): production of fresh cheese and cheese from goat's milk ○ USA, Monroe (Emmi Roth): production of cheese ○ USA, Petaluma (Cowgirl Creamery): production of cheese and fresh cheese ○ USA, Platteville (Emmi Roth): production of cheese ○ USA, Sebastopol (Redwood Hill): production of fresh products, cheese and fresh cheese from goat's milk ○ USA, Turlock (Jackson-Mitchell/«Meyenberg»): production of milk products from goat's milk ○ USA, Yellville (Jackson-Mitchell/«Meyenberg»): production of milk products from goat's milk - around 60 trade and service companies in 14 countries
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GRI no.	Reporting element	Link	Comments																																										
G4-9 cont.		Development of sales: AR 2016 : p. 0-3, 58-60, 65, 74-75,	<p>Net sales</p> <p>in CHF million</p> <table border="1"> <caption>Net sales data (in CHF million)</caption> <thead> <tr> <th>Year</th> <th>Switzerland</th> <th>Americas</th> <th>Europe</th> <th>Global Trade</th> <th>International</th> <th>Total</th> </tr> </thead> <tbody> <tr> <td>2012</td> <td>1,842</td> <td></td> <td></td> <td></td> <td>1,139</td> <td>2,981</td> </tr> <tr> <td>2013</td> <td>1,863</td> <td>818</td> <td>470</td> <td>147</td> <td></td> <td>3,298</td> </tr> <tr> <td>2014</td> <td>1,888</td> <td>840</td> <td>509</td> <td>167</td> <td></td> <td>3,404</td> </tr> <tr> <td>2015</td> <td>1,794</td> <td>798</td> <td>487</td> <td>135</td> <td></td> <td>3,214</td> </tr> <tr> <td>2016</td> <td>1,741</td> <td>866</td> <td>519</td> <td>133</td> <td></td> <td>3,259</td> </tr> </tbody> </table> <p>Legend:</p> <ul style="list-style-type: none"> International Global Trade Europe Americas Switzerland 	Year	Switzerland	Americas	Europe	Global Trade	International	Total	2012	1,842				1,139	2,981	2013	1,863	818	470	147		3,298	2014	1,888	840	509	167		3,404	2015	1,794	798	487	135		3,214	2016	1,741	866	519	133		3,259
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GRI no.	Reporting element	Link	Comments																														
G4-9 cont.		Development of earnings: AR 2016 : p. 0-1, 61-62	<p>Net profit</p> <p>in CHF million as % of net sales</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Net profit (CHF million)</th> <th>Adjusted net profit (CHF million)</th> <th>Net profit as % of net sales</th> <th>Adjusted net profit as % of net sales</th> </tr> </thead> <tbody> <tr> <td>2012</td> <td>90.3</td> <td>90.3</td> <td>3.0</td> <td>3.0</td> </tr> <tr> <td>2013</td> <td>104.6</td> <td>97.6</td> <td>3.2</td> <td>3.0</td> </tr> <tr> <td>2014</td> <td>78.9</td> <td>109.4</td> <td>2.3</td> <td>3.2</td> </tr> <tr> <td>2015</td> <td>120.2</td> <td>120.2</td> <td>3.7</td> <td>3.7</td> </tr> <tr> <td>2016</td> <td>140.3</td> <td>140.3</td> <td>4.3</td> <td>4.3</td> </tr> </tbody> </table> <p>Legend: ● Net profit ● Adjusted net profit ● Net profit as % of net sales ● Adjusted net profit as % of net sales</p>	Year	Net profit (CHF million)	Adjusted net profit (CHF million)	Net profit as % of net sales	Adjusted net profit as % of net sales	2012	90.3	90.3	3.0	3.0	2013	104.6	97.6	3.2	3.0	2014	78.9	109.4	2.3	3.2	2015	120.2	120.2	3.7	3.7	2016	140.3	140.3	4.3	4.3
Year	Net profit (CHF million)	Adjusted net profit (CHF million)	Net profit as % of net sales	Adjusted net profit as % of net sales																													
2012	90.3	90.3	3.0	3.0																													
2013	104.6	97.6	3.2	3.0																													
2014	78.9	109.4	2.3	3.2																													
2015	120.2	120.2	3.7	3.7																													
2016	140.3	140.3	4.3	4.3																													

GRI no.	Reporting element	Link	Comments
G4-10	Workforce		<p>Total workforce (as at 31.12.2016): 6000 employees (EM)</p> <ul style="list-style-type: none"> - of which women: 1620 EM resp. 27 % of EM - of which men: 4380 EM resp. 73 % of EM <p>a) by employment contract and gender</p> <ul style="list-style-type: none"> - Permanent: 5400 EM resp. 90 % of all EM <ul style="list-style-type: none"> o of which women: 1420 female EM resp. 88 % of all female EM resp. 26 % of all permanent EM o of which men: 3980 EM resp. 91 % of all male EM resp. 74 % of all permanent EM - Temporary: 600 EM* resp. 10 % of all EM* <ul style="list-style-type: none"> o of which women: 200 female EM** resp. 12 % of all female EM resp. 33 % of all temporary EM o of which men: 400 EM*** resp. 9 % of all male EM resp. 67 % of all temporary EM <p><i>Comments:</i> * A significant proportion of temporary employees is attributable to the facility in Tunisia (245 employees or 33 % of the workforce). **There is an above-average number of female employees with temporary employment contracts at Surlat in Chile (43 %). ***There is an above-average number of male employees with temporary employment contracts in Tunisia (28 %).</p>

GRI no.	Reporting element	Link	Comments
G4-10 cont.			<p>b) by employment type and gender</p> <ul style="list-style-type: none"> - Full-time*: <ul style="list-style-type: none"> o of which women: 1335 o of which men: 4015 - Part-time*: <ul style="list-style-type: none"> o of which women**: <ul style="list-style-type: none"> 285 female EM resp. 18 % of all female EM resp. 44 % of all part-time EM o of which men**: <ul style="list-style-type: none"> 365 male EM resp. 8 % of all male EM resp. 56 % of all part-time EM <p><i>Comments:</i> <i>*The term "part-time work" does not have a standard definition across the companies belonging to the Emmi Group. The majority of the companies (Switzerland and Germany being the exceptions) define part-time work as any work pattern in which the hours worked amount to less than 100% (30 to 45 hours per week, depending on the country). In Switzerland and Germany, workers on 90% or more count as full-time.</i> <i>**At all the companies in the Emmi Group that have a relevant number of part-time workers, a disproportionate number of the part-time workers are women.</i></p>

GRI no.	Reporting element	Link	Comments
G4-10 cont.			<p>c) by employees and supervised workers and by gender</p> <ul style="list-style-type: none"> - employees: 5920 EM resp. >99 % of all EM <ul style="list-style-type: none"> o of which women: n. r. o of which men: n. r. - supervised workers: 70 MA resp. <1 % of all EM <ul style="list-style-type: none"> o of which women: n. r. o of which men: n. r. <p>d) by region and gender</p> <ul style="list-style-type: none"> - Switzerland 0 EM <ul style="list-style-type: none"> o of which women: n. r. o of which men: n. r. - Europe 70 EM* <ul style="list-style-type: none"> o of which women: n. sp. o of which men: n. sp. <p style="margin-left: 40px;"><i>remark: *primarily in Spain and Italy</i></p> - North/South America, Tunisia 0 MA <ul style="list-style-type: none"> o of which women: n. r. o of which men: n. r. <p>e)</p> <p>The majority of Emmi's activities are carried out by its own employees. Consultancy is largely performed by external contractors (e.g. in marketing).</p>

GRI no.	Reporting element	Link	Comments
G4-10 cont.		Information about the new working time model in Langnau (Switzerland): Emmi Website	<p>f)</p> <p>There are seasonal variations in personnel requirements in the milk processing industry in line with corresponding fluctuations in demand for certain productp. Seasonal peaks are generally dealt with by means of temporary employeep. In addition, there are shortfalls due to illness, accidents and vacation among Emmi's own staff.</p> <p>At the production facility at Langnau in Emmental (Switzerland), which specialises in the production of cheese fondue (high demand in the winter months), a new working time model was drafted in 2016 that takes into account the strongly fluctuating seasonality of demand, without headcount having to be reduced among permanent employeep. This measure was awarded the Emmi Sustainability Prize in 2016.</p>
G4-11	collective bargaining agreements		<p>Across all the companies forming part of the Emmi Group, 85 % of employees are covered by collective bargaining agreementp. There are regional differences:</p> <ul style="list-style-type: none"> - 100 % of all employees in CBA: <ul style="list-style-type: none"> o Schoepfer (France) o All companies in Italy o Emmi Benelux (Netherlands) o Emmi Österreich o All companies in Switzerland o All companies of the Kaiku Group in Spain o Centrale Laitière de Mahdia (Tunesia) - Part of the employees in CBA: <ul style="list-style-type: none"> o Surlat Industrial (Chile): 62 %

GRI no.	Reporting element	Link	Comments
G4-11 cont.			<ul style="list-style-type: none">- No CBA:<ul style="list-style-type: none">o Emmi Benelux (Belgium)o Distribuidora de Alimentos Chile (Chile)o Surlat Comercial (Chile)o All companies in Germanyo Emmi UK (Great Britain)o All companies in Canadao AVH dairy (Netherlands)o Bettinehoeve (Netherlands)o All companies in the USA

GRI no.	Reporting element	Link	Comments																																																																														
G4-13	Significant changes during the reporting period	<p>Changes regarding size, structure, or ownership: AR 2015: p. 61 AR 2016: p. 69</p> <p>Media releases: acquisitions 2015 and 2016: 12.1.15: J.L. Freeman 1.4.15: Kaiku 1.12.15: Redwood 21.1.16: Gläserne 3.2.16: Bettinehoeve 3.2.16: GMP 17.5.16: Cowgirl 20.5.16: Surlat 18.7.16: MiMo 22.12.16: Lácteos</p>	<p>Changes to the scope of consolidation 2015</p> <p>The following changes to the scope of consolidation took place in the year under review.</p> <table border="1"> <thead> <tr> <th>Consolidated companies</th> <th></th> <th>Currency</th> <th>Capital in thousands</th> <th>Capital share 31.12.2015</th> <th>Capital share 31.12.2014</th> </tr> </thead> <tbody> <tr> <td>9314 — 8591 Québec Inc., Boucherville, Canada</td> <td>Acquired on 15.4.2015</td> <td>CAD</td> <td>3,137</td> <td>100 %</td> <td>—</td> </tr> <tr> <td>Redwood Hill Farm & Creamery, Inc., Sebastopol, United States</td> <td>Acquired on 31.12.2015</td> <td>USD</td> <td>835</td> <td>100 %</td> <td>—</td> </tr> </tbody> </table> <p>Associates and joint ventures</p> <table border="1"> <tbody> <tr> <td>Comercial Hoffmann, S.A., Valdivia, Chile</td> <td>Sale on 1.6.2015</td> <td>CLP</td> <td>384,033</td> <td>—</td> <td>17 %</td> </tr> </tbody> </table> <p>Changes to the scope of consolidation 2016</p> <p>The following changes to the scope of consolidation took place in the year under review. For changes of the capital share without impact on the scope of consolidation or on the consolidation method, please refer to note 30.</p> <table border="1"> <thead> <tr> <th>Consolidated companies</th> <th></th> <th>Currency</th> <th>Capital in thousands</th> <th>Capital share 31.12.2016</th> <th>Capital share 31.12.2015</th> </tr> </thead> <tbody> <tr> <td>Bettinehoeve Groep B.V., Etten-Leur, Netherlands ¹⁾</td> <td>Acquired on 2.2.2016</td> <td>EUR</td> <td>297</td> <td>60 %</td> <td>—</td> </tr> <tr> <td>Goat Milk Powder B.V., Etten-Leur, Netherlands ²⁾</td> <td>Partially acquired on 2.2.2016</td> <td>EUR</td> <td>1</td> <td>45 %</td> <td>35 %</td> </tr> <tr> <td>SDA Chile, S.A., Santiago, Chile</td> <td>Partially acquired on 19.5.2016</td> <td>CLP</td> <td>798,271</td> <td>72 %</td> <td>33 %</td> </tr> <tr> <td>Cowgirl Creamery Corporation, Petaluma, United States</td> <td>Acquired on 31.5.2016</td> <td>USD</td> <td>339</td> <td>100 %</td> <td>—</td> </tr> <tr> <td>Tomales Bay Foods, Inc., Petaluma, United States</td> <td>Acquired on 31.5.2016</td> <td>USD</td> <td>555</td> <td>100 %</td> <td>—</td> </tr> <tr> <td>Emmi Lácteos España, S.L.U. in liq., Pamplona, Spain</td> <td>Liquidated on 30.6.2016</td> <td>EUR</td> <td>—</td> <td>—</td> <td>100 %</td> </tr> <tr> <td>Surlat Corporación, S.A., Santiago, Chile</td> <td>Founded on 14.7.2016</td> <td>CLP</td> <td>28,624,995</td> <td>72 %</td> <td>—</td> </tr> <tr> <td>Emmental S.r.l. in liq., Milano, Italy</td> <td>Liquidated on 3.8.2016</td> <td>EUR</td> <td>—</td> <td>—</td> <td>100 %</td> </tr> </tbody> </table> <p>¹⁾ Bettinehoeve Group consists, apart from the mother company mentioned above, of three further subsidiary companies. See note 30. ²⁾ Due to the increase of the capital share in Goat Milk Powder B.V., Emmi has fully consolidated this company effective 2 February 2016.</p>	Consolidated companies		Currency	Capital in thousands	Capital share 31.12.2015	Capital share 31.12.2014	9314 — 8591 Québec Inc., Boucherville, Canada	Acquired on 15.4.2015	CAD	3,137	100 %	—	Redwood Hill Farm & Creamery, Inc., Sebastopol, United States	Acquired on 31.12.2015	USD	835	100 %	—	Comercial Hoffmann, S.A., Valdivia, Chile	Sale on 1.6.2015	CLP	384,033	—	17 %	Consolidated companies		Currency	Capital in thousands	Capital share 31.12.2016	Capital share 31.12.2015	Bettinehoeve Groep B.V., Etten-Leur, Netherlands ¹⁾	Acquired on 2.2.2016	EUR	297	60 %	—	Goat Milk Powder B.V., Etten-Leur, Netherlands ²⁾	Partially acquired on 2.2.2016	EUR	1	45 %	35 %	SDA Chile, S.A., Santiago, Chile	Partially acquired on 19.5.2016	CLP	798,271	72 %	33 %	Cowgirl Creamery Corporation, Petaluma, United States	Acquired on 31.5.2016	USD	339	100 %	—	Tomales Bay Foods, Inc., Petaluma, United States	Acquired on 31.5.2016	USD	555	100 %	—	Emmi Lácteos España, S.L.U. in liq., Pamplona, Spain	Liquidated on 30.6.2016	EUR	—	—	100 %	Surlat Corporación, S.A., Santiago, Chile	Founded on 14.7.2016	CLP	28,624,995	72 %	—	Emmental S.r.l. in liq., Milano, Italy	Liquidated on 3.8.2016	EUR	—	—	100 %
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GRI no.	Reporting element	Link	Comments
G4-14	Precautionary approach or principle		<p>Emmi's approach to handling potentially negative effects of the company's business activities on the environment is professional environmental management.</p> <p>Twenty years ago, Emmi introduced an ISO 14001-certified environmental management system at its Swiss facilities, which it has since developed on an ongoing basis. Based on Emmi's corporate policy, the environmental management system is managed centrally but implemented locally. The requirements and monitoring focus on the issues of energy efficiency and consumption, reducing CO2 emissions, water consumption, waste, recycling and accident prevention.</p> <p>Regular training and monitoring is carried out on environmental management processes and their organisational structure, and they are reviewed as necessary.</p> <p>The following production facilities outside of Switzerland are currently ISO 14001-certified: Lácteos de Navarra in Spain (Kaiku); Rachelli and A-27 in Italy.</p>

GRI no.	Reporting element	Link	Comments
G4-15	Externally developed economic, environmental and social charters, principles, or other initiatives	Agenda 2030 for sustainable development: Website United Nations	<p>Emmi does not currently support any overarching global charters, principles or initiativep.</p> <p>Emmi has formulated objectives within the focus issues that it defines as material for sustainability, which contribute to Agenda 2030:</p> <ul style="list-style-type: none"> - Focus issue «Greenhouse gases» → Objective no. 13: Immediately take action to combat climate change and its effects - Focus issue «sustainable milk» → Objective no. 12: Ensure sustainable consumption and production patterns → Objective no. 13: Immediately take action to combat climate change and its effects → Objective no. 15: Protect and restore terrestrial ecosystems and promote their sustainable use - Focus issue «waste reduction» → Objective no. 6: Ensure availability and sustainable management of water and sanitation for everyone → Objective no. 12: Ensure sustainable consumption and production patterns → Objective no. 15: Protect and restore terrestrial ecosystems and promote their sustainable use - Focus issue «employer development» → Objective no. 4: Ensure inclusive, equal and high-quality training and promote the possibility of life-long learning for everyone

GRI no.	Reporting element	Link	Comments
G4-15 cont.		Website AgroCleanTech (german) Website KOMETIAN (german/french)	<p>In addition, Emmi pursues its sustainability objectives in the four focus issues through appropriate memberships of organisations or partnerships, and supports their initiatives:</p> <ul style="list-style-type: none"> - Focus issue “Greenhouse gases”: Membership of AgroCleanTech AgroCleanTech encourages acceptance of renewable energies, energy efficiency and the need to address climate change in agriculture by offering advice, exciting ideas for projects, financial assistance and competent partnerp. It has to be worthwhile for farmers! By offering them everything they need to carry out their duties, the AgroCleanTech platform can play a major part in ensuring that Switzerland’s energy and climate targets are met. - Focus issue “Sustainable milk”: Membership of the KOMETIAN association The purpose of the KOMETIAN association is to reduce the use of antibiotics in (Swiss) agriculture. To achieve this, it provides specialist consultants to advise farmers on using complementary medicinep.

G4-16	memberships of associations and national or international advocacy organisations	<p>Germany:</p> <p>Bundesverband Molkereiprodukte</p> <p>food akademie</p> <p>IG FÜR</p> <p>MLF</p> <p>MMM</p> <p>AöL</p> <p>Bioland e.V.</p> <p>Biosphärenreservat Schalsee</p> <p>Demeter e.V.</p> <p>FöL</p> <p>Gäa e.V.</p> <p>ländlich fein e.V.</p> <p>Naturland e.V.</p> <p>Slow Food Deutschland e.V.</p> <p>Spreewaldverein e.V.</p>	<p>Emmi Group companies are members of associations and interest groups at national level. There is no central coordination of such memberships. For this reason, the memberships of Emmi Group companies in the most relevant (in terms of sales) markets (with production activities) are listed below.</p> <p>Belgium</p> <p>No significant memberships.</p> <p>Chile</p> <p>No significant memberships.</p> <p>Germany</p> <p>The trading company Emmi Deutschland is a member of the following industry associations:</p> <ul style="list-style-type: none"> - Bundesverband Molkereiprodukte eV - Förderverein food akademie Neuwied eV - Interessengemeinschaft für gesunde Lebensmittel eV (IG FÜR) - Mittelständische Lebensmittel-Filialbetriebe eV (MLF) - MMM Club eV <p><u>Gläserne Molkerei</u> is one of the largest processors of organic and Demeter milk in Germany. The company is a member/partner of various organisations, which represent the interests of organic farming and products or the regions in which Gläserne Molkerei is active (AöL (association of German organic food manufacturers), Bioland (association for organic farming), Schalsee biosphere reserve, FöL Berlin-Brandenburg (association for the promotion of organic farming in Berlin-Brandenburg), Gäa (association for environmentally friendly farming), ländlich fein (regional initiative of restaurateurs, producers, artisan food producers, chefs and service providers), Naturland (association to promote organic foods and products), Slow Food Deutschland (German association for maintaining food culture and responsible food production), Spreewaldverein (biosphere reserve)).</p>
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GRI no.	Reporting element	Link	Comments
G4-16 cont.		<p>France: ECOCERT</p> <p>Great Britain: OPRL Paper Round Recycle Pak</p> <p>Italy: Assolatte Centromarca</p> <p>Austria: ARGE Gentechnik-frei ARGE Heumilch</p>	<p>France Schoepfer is member of ECOCERT.</p> <p>United Kingdom The London-based trading company Emmi UK mainly has memberships relating to packaging topics:</p> <ul style="list-style-type: none"> - Recycle Pak - Paper Round - On-Pack Recycling Label (OPRL) <p>Italy In Italy Emmi is a member of the industry associations for the milk industry (Assolatte) and for manufacturers of branded products (Centromarca), but does not play a major role in either.</p> <p>Canada No significant memberships.</p> <p>Netherlands No significant memberships.</p> <p>Austria Emmi Österreich is a member of the Heumilch Österreich consortium and the consortium for GMO-free food production. Both memberships are directly linked to corresponding products marketed by the company (Walserstolz, natural yogurt).</p> <p>In addition, Emmi is involved in policy, particularly food and agricultural policy. Emmi exerts influence on policy framework conditions in Switzerland indirectly through associations and interest groups and via direct contact with policy-makers such as members of parliament and public authorities, in particular within the scope of the ordinary consultation process.</p>

GRI no.	Reporting element	Link	Comments
		Switzerland: AgroCleanTech BOM BOB BSM fial IGAS KOMETIAN Promarca Sortenorganisation Emmen- taler Sortenorganisation Le Gruyère Switzerland Cheese Marke- ting Webseite VMI	Switzerland Emmi is a direct or indirect member/associate/shareholder of various industry associations in the Swiss dairy and food industries, including the Swiss butter, milk and milk powder sector organisations (BOB, BOM and BSM), the Federation of Swiss Food Industries (fial), the interest groups representing the Swiss agricultural industry (IGAS) and Swiss mountain products (IG Schweizer Bergprodukte), a range of variety organisations (AOP cheese), Swiss Cheese Marketing AG, Promarca (the association of Swiss branded goods manufacturers) and the Swiss Dairy Industry Association (VMI). As part of its commitment, Emmi is also a member of AgroCleanTech (energy and climate protection agency for agriculture) and KOMETIAN (association for the promotion of complementary medicine in livestock farming). The objective of all of these organisations is to improve the turnover or environment of the relevant product/branch of industry/an issue together.

GRI no.	Reporting element	Link	Comments
G4-16 cont.		Spain: Fenil USA: ACS ADPI CIAA Confrérie du Gruyère Foreign Type Cheesemaker Association Laboratory FRI Guilde Internationale des Fromagers IDDBA IDFA IFEC National Historic Cheesema- king Center Product Development Sum- mit PRSA WCMA	<p>Spain</p> <p>The Spanish milk processor is a member of the Federación Nacional de Industrial Lácteas (Fenil), the corresponding industry association for the milk industry.</p> <p>Tunisia</p> <p>No significant memberships.</p> <p>USA</p> <p>Employees of the US cheese producer and merchant Emmi Roth USA represent the company in various organisations that are directly related to the company's core business:</p> <ul style="list-style-type: none"> - American Cheese Society (ACS) - American Dairy Products Institute (ADPI) - Cheese Importers Association of America (CIAA) - Confrérie du Gruyère - Food Research Institute (FRI) - Foreign Type Cheesemaker Association Laboratory - Guilde Internationale des Fromagers - International Dairy Bakery Association (IDDBA) - International Dairy Foods Association (IDFA) - International Editorial Foodservice (IFEC) - National Historic Cheesemaking Center - Product Development Summit - Public Relations Society of America (PRSA) Madison Chapter - Wisconsin Cheese Makers Association (WCMA)

GRI no.	Reporting element	Link	Comments
G4-16 cont.		USA: (cont.) ACS ADGA Center for Climate Protection Ceres CSN Daily Acts EcoFarm FIG Food 4 Thought HFAC Land Paths Marine Mammal Center QCS Sonoma 4Cs Sonoma Green Business Program Sonoma Humane Society SLT	USA cont. The Redwood Hill Farm & Creamery is a member of various associations connected with milk processing: <ul style="list-style-type: none"> - American Cheese Society (ACS) - North Bay Food Industry Group (FIG) - Quality Certification Services (QCS) The Redwood Hill Farm & Creamery is also a member of various organisations that address the issue of sustainability, which is a strategic priority for the company: <ul style="list-style-type: none"> - American Dairy Goat Association (ADGA) - Center for Climate Protection - Ceres Community Project - Community Support Network (CSN) - Daily Acts - Eco-Farm Conference - Food 4 Thought Foundation - Humane Farm Animal Care (HFAC) - Land Paths - Marine Mammal Center - Sonoma 4C - Sonoma Green Business Program - Sonoma Humane Society - Sonoma Land Trust (SLT) Cypress Grove is member of the American Cheese Society and the Californian Artisan Cheese Guild.

3 Identified Material Aspects and Boundaries

'In accordance' – Core: G4-17 bis G4-23

GRI no.	Reporting element	Link	Erläuterung
G4-17	Consolidated companies	Consolidated companies, associates and joint ventures: AR 2016 : p. 90-93, 104	As at the end of 2016, 13 countries were consolidated in the Emmi Group (Austria, Belgium, Canada, Chile, France, Germany, Italy, the Netherlands, Spain, Switzerland, Tunisia, the UK and the US). There are also non-consolidated holdings in Brazil (since 2017) and Mexico. The countries with the most significant activities (in terms of sales) are Switzerland, the US, Spain, Germany and Tunisia. Other countries that are particularly important with regard to sustainability issues (in terms of number of employees, production activities and sales) are Chile (two production sites), Italy (four production sites) and the Netherlands (two production sites).
G4-18	Process to define material aspects and boundaries	Relevant stakeholders: SR 1 : p. 46-47 SR 2 : p. 16 Material aspects: SR 2 : p. 12 SR 3 : p. 8-12	<u>Defining the report content</u> All consolidated companies are included in Emmi's sustainability reporting (see G4-17). Annual and sustainability reporting and the corresponding figures are therefore comparable. Unlike its financial reporting, however, Emmi's sustainability reporting is still being developed. As a consequence, no retrospective statements are possible as yet on the majority of figures regarding the aspects defined as material. However, the information includes detailed descriptions of the individual management approaches.

GRI no.	Reporting element	Link	Erläuterung
G4-18 cont.	<p><u>Aspect boundaries</u></p> <p>The following pages outline the process through which Emmi has developed its sustainability strategy over the past few yearp. This development reflects not least the development of the GRI. For example, Emmi's first two Sustainability Reports (published in 2011 and 2013) were broad-based, reporting on as many sustainability aspects as possible in its value chain; in the third report (published in 2015), Emmi introduced focus issues intended to cover the material sustainability aspects for a milk processor. This fourth Emmi Sustainability Report now primarily addresses the four focus issues to meet the GRI's demand for materiality. The process behind this comprises numerous rounds of identification, prioritisation and validation.</p> <p><u>Identification 1</u></p> <p>Step 1a: Emmi's stakeholders</p> <p>The material aspects of Emmi's sustainability commitment stem from the impact of Emmi's business activity on its stakeholderp. Stakeholders therefore constitute the starting point for identifying the material aspectp. The direct and indirect stakeholders arise from the company's value chain and were identified for the (externally validated) Sustainability Report 2 (published in summer 2013, see image opposite).</p>		

G4-18
cont.**Prioritisation 1****Step 1b: Identification of the most important stakeholders**

Since Emmi's business activity means it is or has to be in intense, continuous dialogue with its stakeholders to operate successfully, no dialogue with external stakeholders solely for the purpose of the basic formulation of the sustainability strategy (in specific terms: defining the material aspects) was required.

Instead, various internal bodies (Sustainability Core Team, Sustainability Steering Committee, Group Management, Board of Directors) worked together to identify the relevant aspects for Emmi's sustainability commitment over the course of two years.

To establish which of the large number of stakeholders and demands were relevant from a sustainability perspective, stakeholders were categorised by interest in and influence on Emmi using a matrix (see figure opposite). The general recommendations for dealing with these four groups of stakeholders (red = cooperate, yellow = satisfy, orange = inform, blue = observe) are self-evident at Emmi from the reason given above.

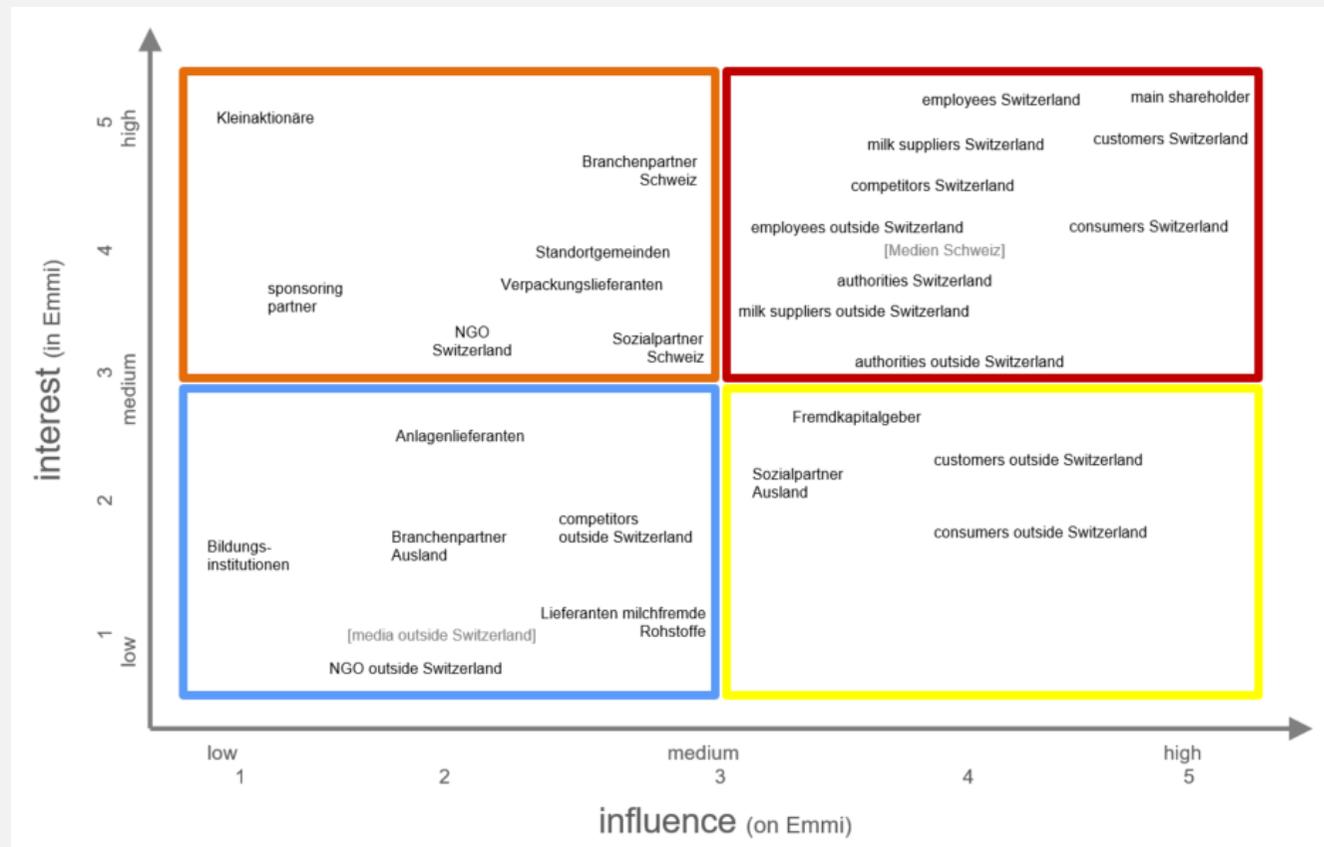


Figure 1: materiality matrix stakeholders

G4-18
cont.

The stakeholders listed in the following graphic (derived from the materiality matrix on the previous page) are thus primarily relevant for identifying the material aspects for Emmi's sustainability management.

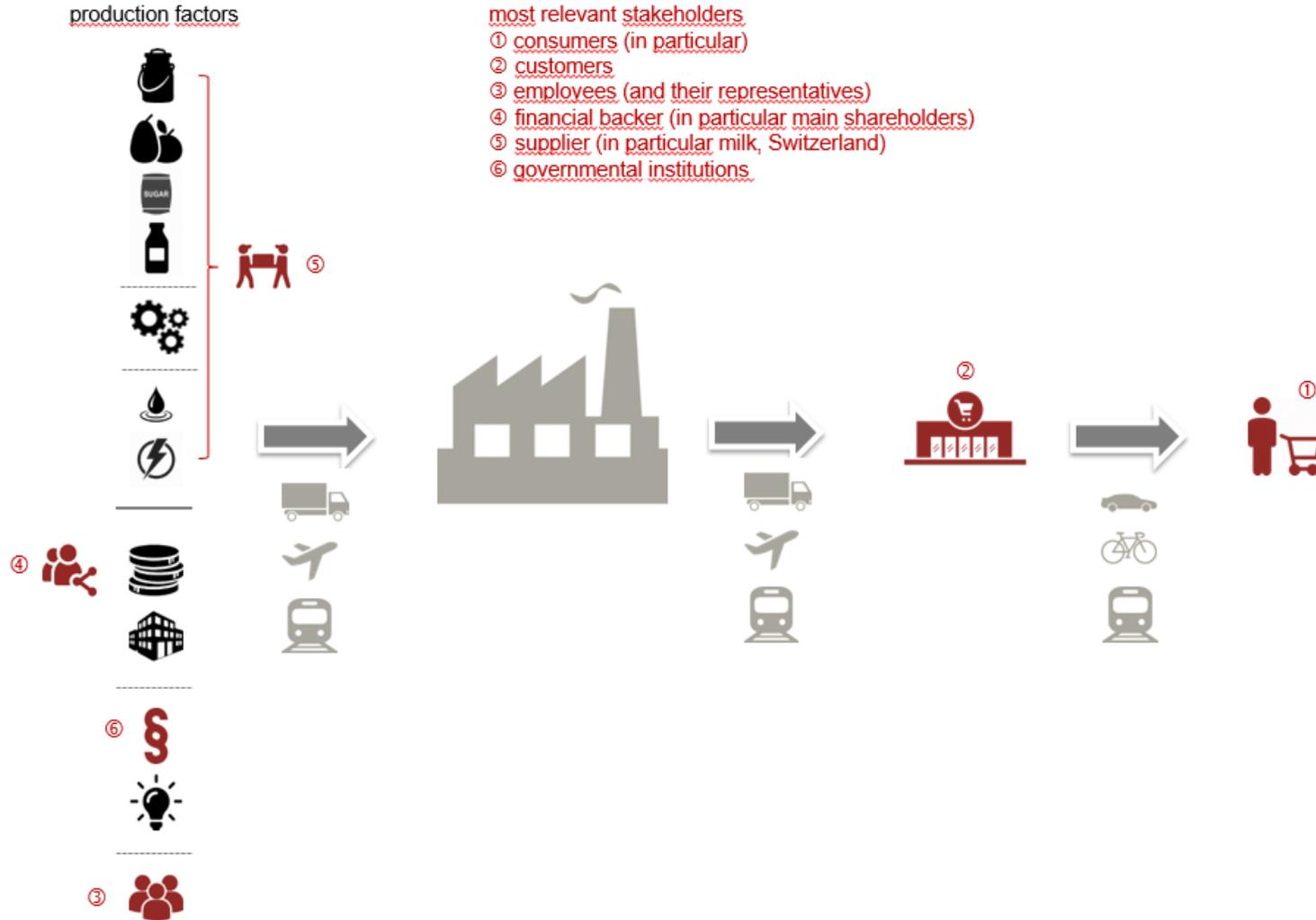


Figure 2: most relevant stakeholders along the Emmi value chain

G4-18
cont. **Identification 2**

Step 2a: Emmi's impact along the value chain

Emmi's impact along the value chain – from supplier to end consumer – was identified based on Emmi's value chain. In simple terms, this impact can be summarised in five categories (see graphic below).

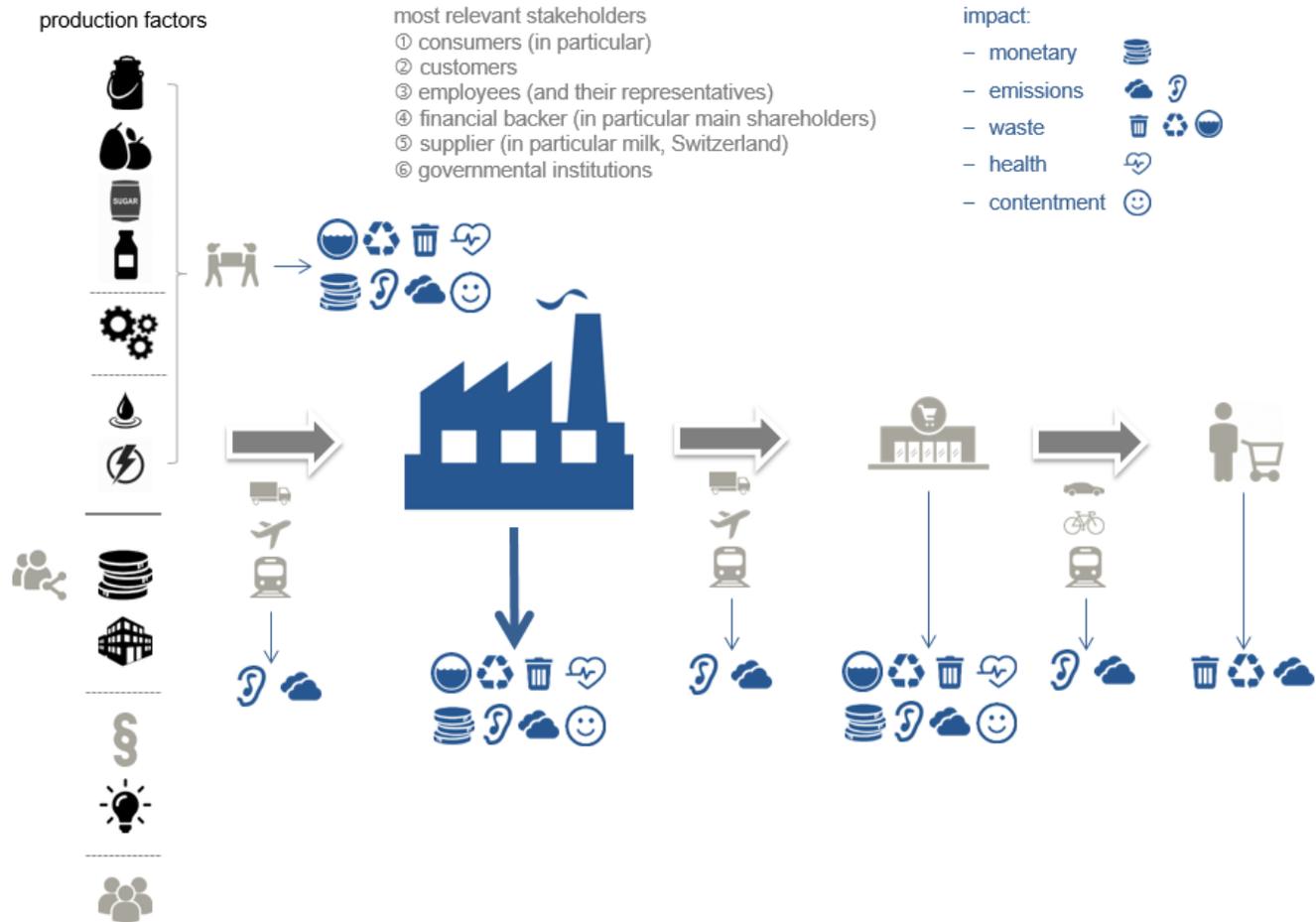


Figure 3: effects of Emmi's activities along the value chain

G4-18
cont. **Prioritisation 2**

Step 2b: Emmi's impact on key stakeholders

Of the various Emmi impacts identified, not all have the same relevance for what were found to be the key stakeholders. What is material for Emmi's sustainability management is primarily those aspects that affect the key stakeholders.

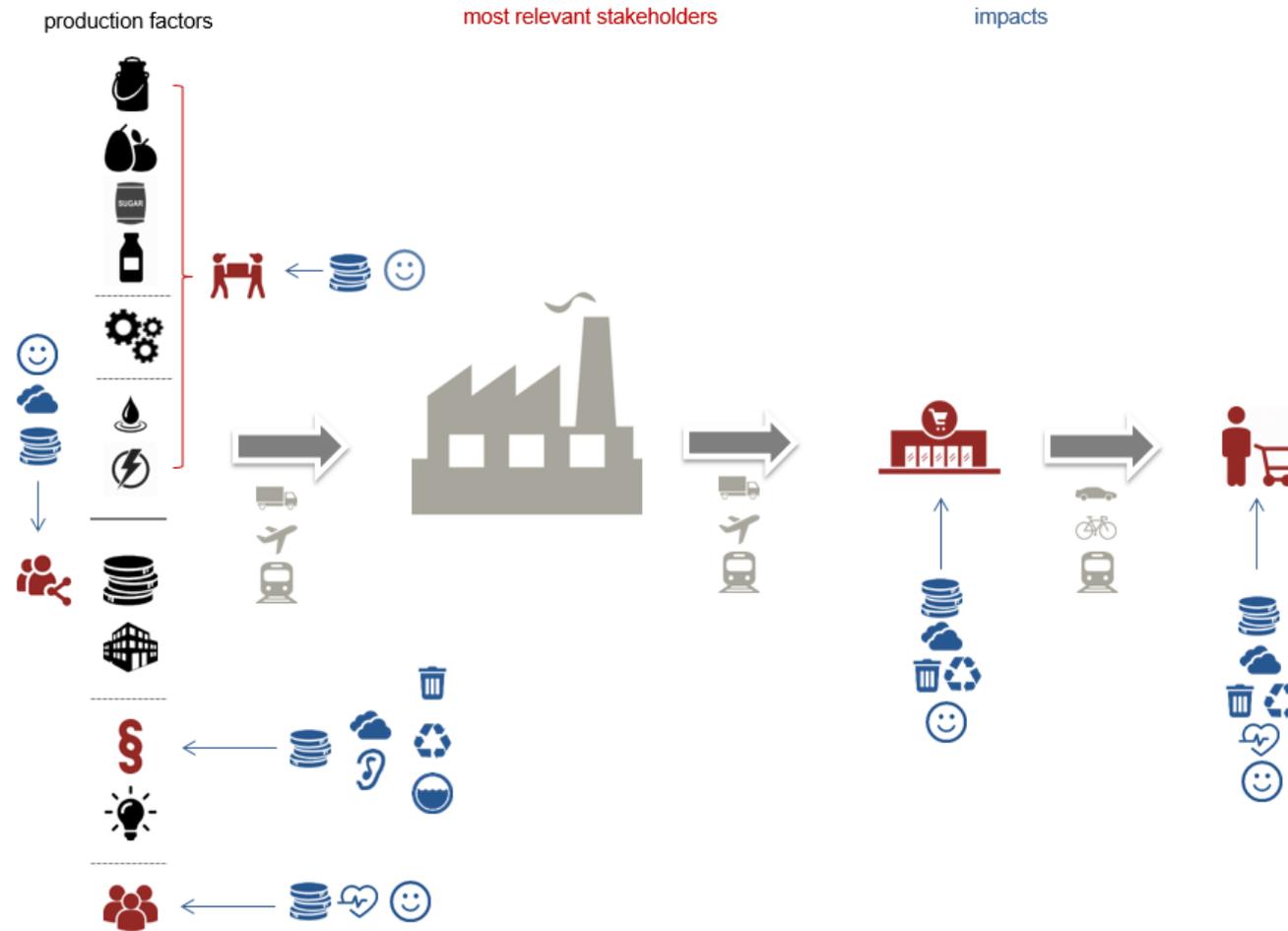


Figure 4: effects of Emmi's activities on the most relevant stakeholders

G4-18
cont.

Identification 3

Step 3a: Demands of key Emmi stakeholders and derivation of sustainability aspects

The demands of the relevant stakeholders and their importance – for both the stakeholders and Emmi – were determined in a workshop by the Sustainability Core Team, then graded and visualised in a matrix.

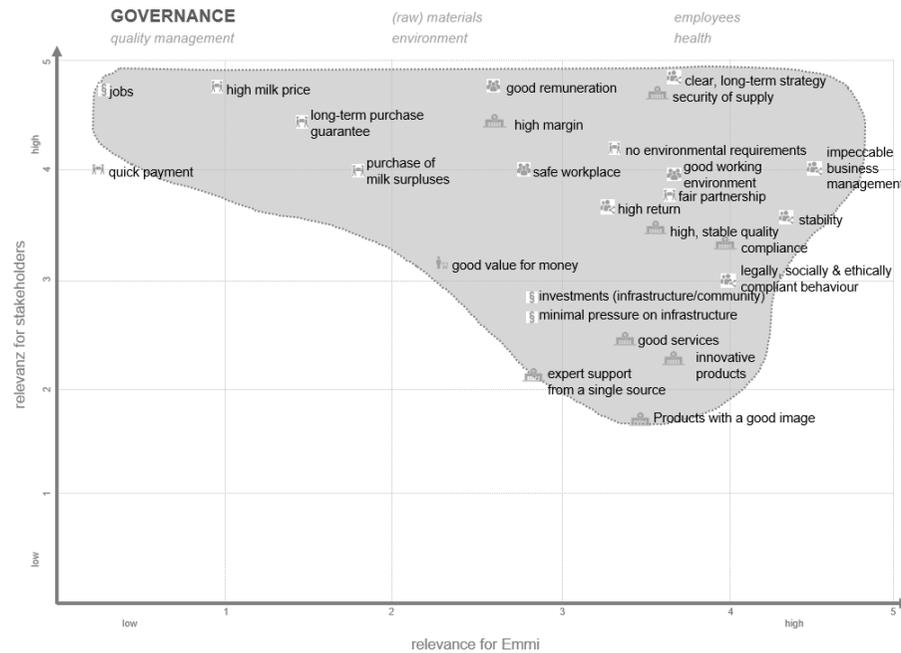


Figure 5: relevance analysis of the material aspects / topic: governance



Figure 6: : relevance analysis of the material aspects / topic: quality management

G4-18
cont.

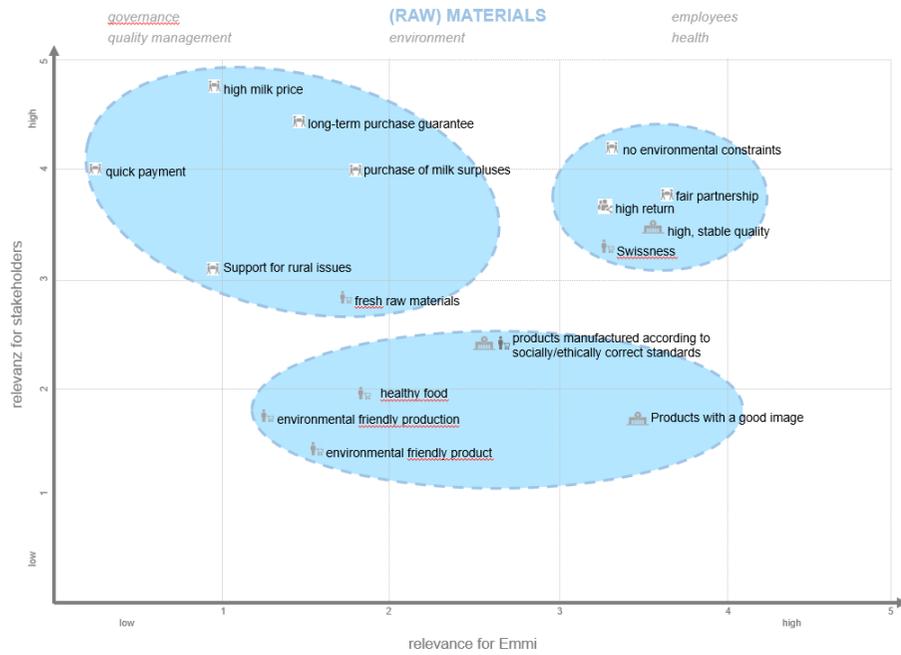


Figure 7: : relevance analysis of the material aspects / topic: (raw) materials

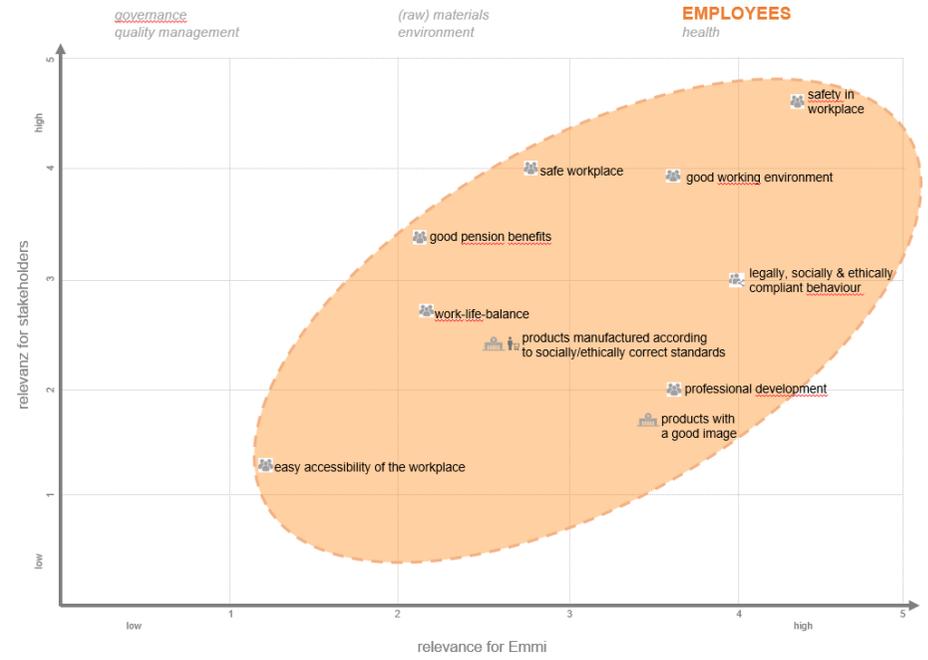


Figure 8: relevance analysis of the material aspects / topic: employees

G4-18
cont.

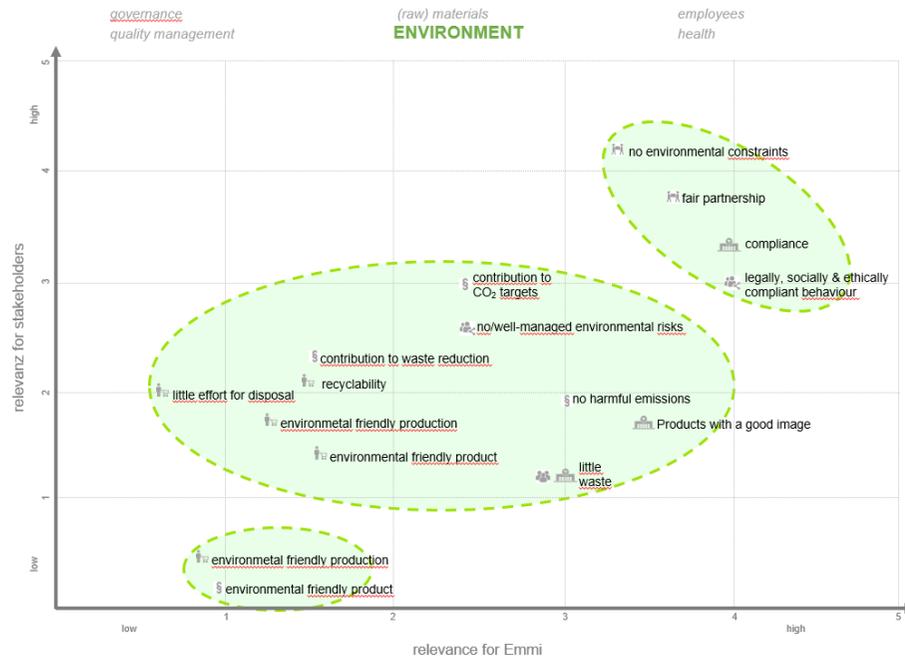


Figure 9: : relevance analysis of the material aspects / topic: environment



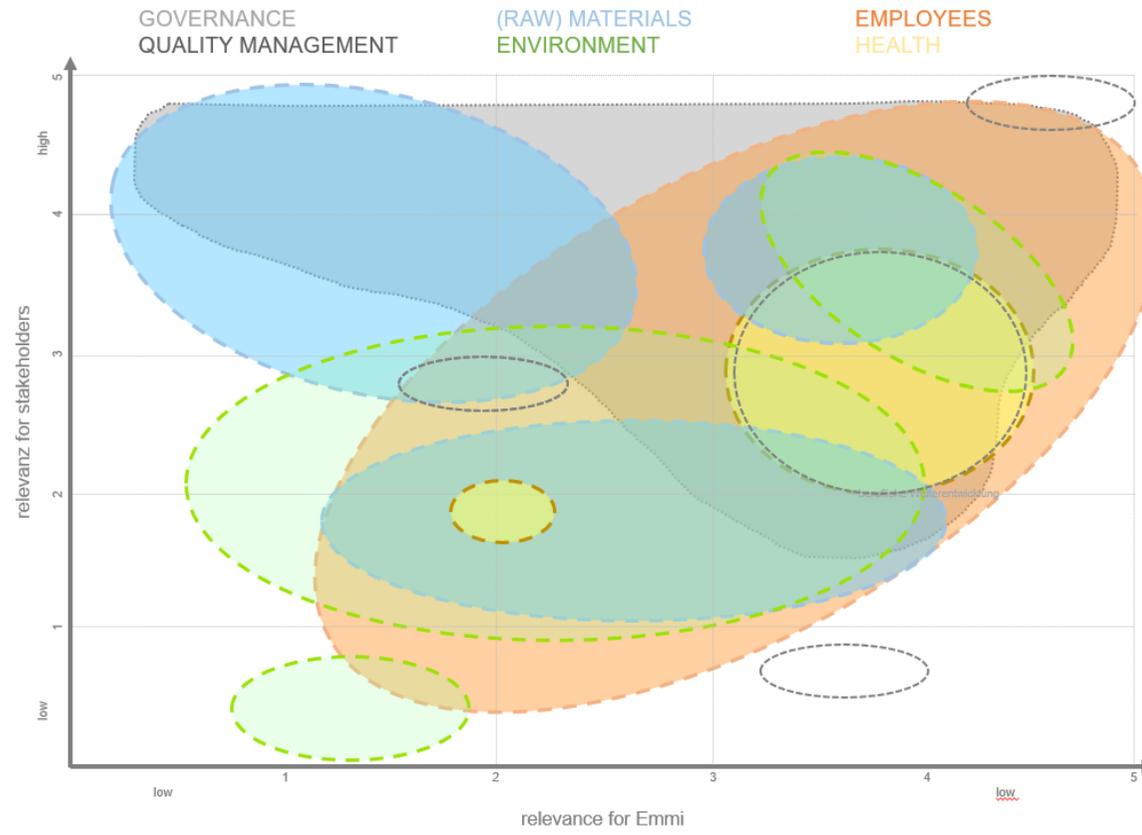
Figure 10: : relevance analysis of the material aspects / topic: health

G4-18
cont.

Priorisation 3

Step 3b: relevant aspects

The demands of the relevant stakeholders and their importance – for both the stakeholders and Emmi – were determined in a workshop by the Sustainability Core Team, then graded and visualised in a matrix. At the end of the materiality analysis the collected claims of the most important stakeholders of Emmi were clustered in a matrix. It became clear that all stakeholder groups have financial requirements that require an economically sound company. As a result, economic stability - at least in the case of Emmi - is the basis of sustainability.



G4-18 cont.			<p><u>Validation</u></p> <p>Steps 1a to 3b were validated over several rounds (meetings, written statements/consultation) by the Sustainability Steering Committee.</p> <p><u>Review</u></p> <p>Emmi has formulated an objective for each of its four focus issues through to 2020. Achieving these objectives takes priority. Moving towards 2020, however, there will be checks as to whether the four focus issues still cover the material sustainability aspects at Emmi and what subsequent objectives Emmi wishes to set for itself.</p>
G4-19	Material aspects	<p>Information about the focus issues of Emmi's Sustainability engagement on the Emmi website: www.emmi.com/sustainability</p>	<p>The main aspects that have a bearing on sustainability at Emmi (according to the materiality analysis) are:</p> <ul style="list-style-type: none"> - The company's economic performance. → The economic performance aspect is crucial for all companies. All activities fall under this aspect. Since Emmi's annual reporting process covers this aspect in detail and in full, it is excluded from this sustainability report. - Product quality The high and consistent quality of our products is a key element of Emmi's success. This is taken into account right from the development stage, and permanently assured through quality management. - Emissions and waste along the whole of the value chain (inc. upstream and downstream stages). → focus issue «reducing greenhouse gas emissions»  → focus issue «waste reduction»  - The raw material milk. → focus issue «sustainable milk»  - Treatment of employees. → focus issue «employee development» 

G4-20	Aspect boundary within the organisation for material aspects		<table border="1" data-bbox="999 312 2110 552"> <thead> <tr> <th rowspan="2"></th> <th colspan="2">Internal</th> <th colspan="2">External upstream</th> <th colspan="2">External downstream</th> </tr> <tr> <th>polluter</th> <th>action Emmi</th> <th>polluter</th> <th>action Emmi</th> <th>polluter</th> <th>action Emmi</th> </tr> </thead> <tbody> <tr> <td>Greenhouse gas emissions </td> <td>x</td> <td>x</td> <td>x</td> <td>x</td> <td>x</td> <td>-</td> </tr> <tr> <td>Milk </td> <td>-</td> <td>-</td> <td>x</td> <td>x</td> <td>-</td> <td>-</td> </tr> <tr> <td>Waste </td> <td>x</td> <td>x</td> <td>x</td> <td>x</td> <td>x</td> <td>x</td> </tr> <tr> <td>Employee development </td> <td>x</td> <td>x</td> <td>x</td> <td>-</td> <td>-</td> <td>-</td> </tr> </tbody> </table> <p data-bbox="999 587 1272 612">Comments on the table</p> <ul data-bbox="1043 628 2110 925" style="list-style-type: none"> - Greenhouse gas emissions are produced along the entire value chain for dairy products. Emmi has an influence on this, notably at its own sites and upstream of these. - The sustainability of milk as a raw material is determined solely by milk production practices (by dairy farmers). Therefore Emmi exerts its influence here as well. - Wastage of materials and products occurs along the entire value chain. Emmi can see opportunities to influence this in all three areas: its own sites, with suppliers (notably of packaging systems), and among customers and consumers. - Employee development is primarily in the employer's hands. The training institutions, which Emmi can partially influence, are an external factor. 		Internal		External upstream		External downstream		polluter	action Emmi	polluter	action Emmi	polluter	action Emmi	Greenhouse gas emissions 	x	x	x	x	x	-	Milk 	-	-	x	x	-	-	Waste 	x	x	x	x	x	x	Employee development 	x	x	x	-	-	-
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Milk 	-	-	x	x	-	-																																						
Waste 	x	x	x	x	x	x																																						
Employee development 	x	x	x	-	-	-																																						
G4-21	Aspect boundary outside the organisation for material aspects	NHB 4: G4-20	see G4-20																																									

G4-22	Effect of and reasons for any re-statements of information		<p>This sustainability report (GRI index) is the first one to be compiled in accordance with the GRI-G4 standard. It also encompasses the whole of the Emmi Group, and not just Emmi in Switzerland, as was previously the case. Hence it differs substantially from the first three sustainability reports that Emmi published.</p> <p>For the first time, this report concentrates on the four focus issues (material aspects) rather than the effects all along the value chain. By doing this, Emmi is accommodating the demand for materiality.</p> <p>The above means that there is not comprehensive, retrospective data available on all the focus issues. The system of key indicators for this is still in development.</p>
G4-23	Report significant changes from previous reporting periods in the scope and aspect boundaries.		<p>Emmi's first three sustainability reports (2011, 2013, 2015) concentrated on Emmi's activities in Switzerland. The reports focused on the many different processes at Emmi, from the delivery of the raw materials to the dispatch of the products to the customers.</p> <p>This report covers all of Emmi's activities worldwide. Upstream and downstream factors in the dairy products value chain are also included if they have a significant bearing on Emmi's sustainability and that of its products (specifically, sustainability of the main raw material, milk, and Scope 2 greenhouse gas emissions). In this, the report places clear emphasis on the four focus issues defined as material as regards Emmi's commitment to sustainability. This inevitably means less of a focus on other issues that may be similarly interesting.</p>

4 Einbindung von Stakeholdern

'In accordance' – Core: G4-24 bis G4-27

GRI no.	Reporting element	Link	Erläuterung
G4-24	Stakeholder groups engaged by the organization	SR 1 : p. 46-47 SR 2 : p. 16-17 SR 4: G4-18	<p>The direct and indirect stakeholders arise from the company's value chain and were identified for the (externally validated) Sustainability Report 2 (published in summer 2013, see image opposite).</p> <p>The diagram illustrates Emmi's value chain and its stakeholders. At the top, 'External framework conditions' include interest groups, legislative organizations, unions, competition authorities, sector organizations, social partners, training centers, non-governmental organizations, and health authorities. The value chain itself consists of four main stages: Development (involving technical development, packaging development, product development, market research, and trend research), Procurement (involving equipment suppliers, sourcing, transport, and packaging materials suppliers), Production (involving raw materials suppliers, selection of supplier, preparation, and manufacturing), and Distribution (involving commissioning, storage, and logistics partners). The final stage is Sales and Marketing, which includes marketing, sponsorship, sales, and customer service. At the bottom, 'Internal conditions' include employees, management, financial partners, shareholders, lenders, insurance partners, and the board of directors.</p>

Figure 12: Emmi's value chain with internal and external stakeholders

GRI no.	Reporting element	Link	Erläuterung
G4-25	Basis for identification and selection of stakeholders	SR 1 : p. 46-47 SR 2 : p. 16-17 SR 4: G4-18 SR 4: G4-25	see G4-25
G4-26	Approach to stakeholder engagement	SR 1 : p. 46-47 SR 2 : p. 16-17 SR 4: G4-18 SR 4: G4-25	see G4-25 and DMA of the focus issues
G4-27	Key topics and concerns that have been raised through stakeholder engagement	SR 1 : p. 46-47 SR 2 : p. 16-17 SR 4: G4-18 SR 4: G4-19	see G4-18, G4-19 and DMA of the focus issues

5 Report Profile

'In accordance' – Core: G4-28 bis G4-33

GRI no.	Reporting element	Link	Erläuterung
G4-28	Reporting period		2015 und 2016
G4-29	Date of most recent previous report		Sommer 2015
G4-30	Reporting cycle	SR 1 (summer 2011) SR 2 (summer 2013) SR 3 (summer 2015)	Publication of a sustainability report every two years. Annual update of the most important sustainability figures in the annual reporting.
G4-31	Contact point for questions regarding the report	Contact on Emmi's website: www.emmi.com/sustainability	Gerold Schatt, Head of Sustainability Emmi Group nachhaltigkeit@emmi.com
G4-32	GRI Content Index		a) 'in accordance' option: core b) GRI Content Index: on hand c) reference to the External Assurance Report: no external assurance report
G4-33	External assurance		The content of the report has not been subjected to any extensive external audit.

Governance

'In accordance' – Core: G4-34

Governance structure and composition of the organization

GRI no.	Reporting element	Link	Erläuterung																																																		
G4-34	Governance structure	Corporate Governance chapter of the Annual Report: AR 2016 : p. 31-33	<p>All nine members of the Emmi Board of Directors are non-executive members who were not previously members of Emmi Group Management or the management team of one of the subsidiaries.</p> <table border="1"> <thead> <tr> <th></th> <th>Year of birth</th> <th>Nationality</th> <th>Education</th> <th>First elected</th> </tr> </thead> <tbody> <tr> <td>Konrad Graber Chairman of the Board of Directors</td> <td>1958</td> <td>Swiss</td> <td>Business Administration HWV Certified Auditor</td> <td>2006 2009 Chairman</td> </tr> <tr> <td>Thomas Oehen-Bühlmann Vice-Chairman of the Board of Directors</td> <td>1958</td> <td>Swiss</td> <td>Certified Master Farmer</td> <td>2009</td> </tr> <tr> <td>Christian Arnold-Fässler</td> <td>1977</td> <td>Swiss</td> <td>Certified Master Farmer</td> <td>2012</td> </tr> <tr> <td>Stephan Baer</td> <td>1952</td> <td>Swiss</td> <td>Business Economist lic. oec. publ.</td> <td>1999</td> </tr> <tr> <td>Monique Bourquin</td> <td>1966</td> <td>Swiss</td> <td>Business Economist lic. oec. HSG</td> <td>2013</td> </tr> <tr> <td>Niklaus Meier</td> <td>1955</td> <td>Swiss</td> <td>Swiss certified expert in accounting and controlling</td> <td>2012</td> </tr> <tr> <td>Josef Schmidli</td> <td>1957</td> <td>Swiss</td> <td>Federal Commercial Diploma Certified Master Cheesemaker</td> <td>2003</td> </tr> <tr> <td>Franz Stelger</td> <td>1959</td> <td>Swiss</td> <td>Certified Master Farmer</td> <td>2015</td> </tr> <tr> <td>Diana Strebel</td> <td>1960</td> <td>Swiss</td> <td>Business Economist dipl. oec. Master of Science in Marketing GSBA and University of Wales</td> <td>2012</td> </tr> </tbody> </table> <p>The Board of Directors is responsible for the overall management of the company and the Group, as well as for monitoring the management of the company in accordance with Art. 716a of the Swiss Code of Obligations. All other areas of management are delegated in full by the Board of Directors to the Chairman, the CEO and Group Management.</p>		Year of birth	Nationality	Education	First elected	Konrad Graber Chairman of the Board of Directors	1958	Swiss	Business Administration HWV Certified Auditor	2006 2009 Chairman	Thomas Oehen-Bühlmann Vice-Chairman of the Board of Directors	1958	Swiss	Certified Master Farmer	2009	Christian Arnold-Fässler	1977	Swiss	Certified Master Farmer	2012	Stephan Baer	1952	Swiss	Business Economist lic. oec. publ.	1999	Monique Bourquin	1966	Swiss	Business Economist lic. oec. HSG	2013	Niklaus Meier	1955	Swiss	Swiss certified expert in accounting and controlling	2012	Josef Schmidli	1957	Swiss	Federal Commercial Diploma Certified Master Cheesemaker	2003	Franz Stelger	1959	Swiss	Certified Master Farmer	2015	Diana Strebel	1960	Swiss	Business Economist dipl. oec. Master of Science in Marketing GSBA and University of Wales	2012
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<p>G4-34 cont.</p>	<p>Corporate Governance chapter of the Annual Report: AR 2016: p. 28, 38-41</p>	<p>Group Management at Emmi Group consists of eight members, plus three members of extended Group Management who report to the head of the business division Switzerland.</p> <pre> graph TD KG[Konrad Graber Chairman of the Board] --- UR[Urs Riedener* Chief Executive Officer] UR --- JR[Jörg Riboni* Chief Financial Officer] UR --- KK[Kai Könecke* Supply Chain Management, from 1 April 2017] JR --- NR[Natalie Rüedi* Human Resources] UR --- TM[Thomas Morf Global Categories & Marketing, from 19 June 2017] UR --- MH[Marc Heim* Switzerland] UR --- MK[Matthias Kunz* Americas] UR --- RB[Robin Barraclough* Europe] </pre> <p>* Member of Group Management</p> <p>Member of the extended Group Management:</p> <ul style="list-style-type: none"> – Othmar Dubach: Dairy Products & Cheese Switzerland – Max Peter: Trade & SCM Switzerland – Markus Willmann: Industry Switzerland <p>Group functions:</p> <ul style="list-style-type: none"> – Human Resources – Finance/Legal – Corporate Development – Corporate Communications & IR – International Operations – Quality/Safety/Environment <p>The <u>CEO</u> is the Chairman of Group Management. He leads, supervises and coordinates the members of Group Management and – for Group tasks – of the extended Group Management, and grants them the necessary authority to perform their functions.</p> <p>The members of <u>Group Management</u> consistently ensure the implementation of strategic Group management. They manage the subsidiaries from a financial point of view and influence their strategic orientation.</p> <p>As members of the Executive Board Switzerland and longstanding former members of Group Management, the members of the <u>extended Group Management</u> undertake the selective Group duties assigned to them by the CEO.</p>
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GRI no.	Reporting element	Link	Erläuterung																																																		
G4-34 cont.		Corporate Governance chapter of the Annual Report: AR 2016 : p. 33-36	<p>Committees:</p> <ul style="list-style-type: none"> - Audit Committee - Market Committee - Personnel and Compensation Committee - Agricultural Council <table border="1" style="width: 100%; border-collapse: collapse; margin-top: 20px;"> <thead> <tr> <th style="width: 60%;"></th> <th style="width: 10%; text-align: center;">Audit Committee</th> <th style="width: 10%; text-align: center;">Market Committee</th> <th style="width: 15%; text-align: center;">Personnel and Compensation Committee</th> <th style="width: 5%; text-align: center;">Agricultural Council</th> </tr> </thead> <tbody> <tr> <td>Konrad Graber Chairman of the Board of Directors</td> <td style="text-align: center;">•</td> <td style="text-align: center;">•</td> <td style="text-align: center;">• (Chairman)</td> <td style="text-align: center;">• (Chairman)</td> </tr> <tr> <td>Thomas Oehen-Bühlmann Vice-Chairman of the Board of Directors</td> <td style="text-align: center;">•</td> <td></td> <td style="text-align: center;">•</td> <td style="text-align: center;">•</td> </tr> <tr> <td>Christian Arnold-Fässler Member</td> <td></td> <td></td> <td></td> <td style="text-align: center;">•</td> </tr> <tr> <td>Stephan Baer Member</td> <td></td> <td style="text-align: center;">• (Chairman)</td> <td style="text-align: center;">•</td> <td></td> </tr> <tr> <td>Monique Bourquin Member</td> <td style="text-align: center;">•</td> <td style="text-align: center;">•</td> <td></td> <td></td> </tr> <tr> <td>Niklaus Meler Member</td> <td style="text-align: center;">• (Chairman)</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Josef Schmidli Member</td> <td></td> <td style="text-align: center;">•</td> <td></td> <td></td> </tr> <tr> <td>Franz Stelger Member</td> <td></td> <td></td> <td></td> <td style="text-align: center;">•</td> </tr> <tr> <td>Diana Strelbel Member</td> <td></td> <td style="text-align: center;">•</td> <td></td> <td></td> </tr> </tbody> </table>		Audit Committee	Market Committee	Personnel and Compensation Committee	Agricultural Council	Konrad Graber Chairman of the Board of Directors	•	•	• (Chairman)	• (Chairman)	Thomas Oehen-Bühlmann Vice-Chairman of the Board of Directors	•		•	•	Christian Arnold-Fässler Member				•	Stephan Baer Member		• (Chairman)	•		Monique Bourquin Member	•	•			Niklaus Meler Member	• (Chairman)				Josef Schmidli Member		•			Franz Stelger Member				•	Diana Strelbel Member		•		
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GRI no.	Reporting element	Link	Erläuterung
G4-35	Delegating authority	Corporate Governance chapter of the Annual Report: AR 2016 : p. 36	<p>The Board of Directors is responsible for the overall management of the company and the Group, as well as for monitoring the management of the company in accordance with Art. 716a of the Swiss Code of Obligations. On this basis, it deliberates on and determines issues including:</p> <ul style="list-style-type: none"> - the annual and investment budget - the annual and half-year results - Group structure up to and including Group Management the salary policy, in particular the remuneration system for the compensation of the members of the Board of Directors, the remuneration system for the compensation of Group Management, the total amount of salary adjustments and bonuses for employees, the pension fund regulations and other retirement benefit plans - ceiling amounts for remuneration of the Board of Directors, the Agricultural Council and Group Management for - approval by the General Meeting - the evaluation of the main risks - multi-year financial and liquidity planning - strategy-relevant cooperations and agreements, in particular the purchase and sale of participations, companies, etc. - Group regulations - the founding and closure of companies - approval of members of the Board of Directors of consolidated subsidiaries - the proposal of candidates for the Board of Directors to the General Meeting. <p>All other areas of management are delegated in full by the Board of Directors to the Chairman, the CEO and Group Management. The Board of Directors can, at any time, on a case-by-case basis or on the basis of general powers reserved, intervene in the duties and areas of competence of the corporate bodies that report to it and take over business carried out by these bodies. (powers reserved).</p>

GRI no.	Reporting element	Link	Erläuterung
G4-36 cont.			<p>The CEO is the Chairman of Group Management. He leads, supervises and coordinates the members of Group Management and – for Group tasks – of the extended Group Management, and grants them the necessary authority to perform their functions. In particular, he is responsible for implementing strategic objectives, defining operational thrusts and priorities, and providing the necessary material and personnel resources for this purpose.</p> <p>At Group Management level, responsibility for the company's sustainability commitment has been delegated to the Chief Supply Chain Officer (since 1 October 2017). He brings motions from the Sustainability Steering Committee to Group Management or delegates this to the Head of Sustainability.</p>
G4-37	Report processes for consultation between stakeholders and the highest governance body	AR 2016 : p. 41 - 42	<p>The supreme controlling body of Emmi is the Board of Directors. Under the Swiss Code of Obligations, it is responsible for supervising the company.</p> <p>Emmi has no institutionalised consultation procedures between stakeholders and the Board of Directors. The exception are the shareholders, who are invited to a General Meeting every year and can raise their issues there, either in the form of items on the agenda or by voting.</p>
G4-38	Composition of the highest governance body and its committees	AR 2016 : p. 31 - 33	<p>The supreme controlling body of Emmi is the Board of Directors.</p> <p>All nine members of the Emmi Board of Directors are non-executive members who were not previously members of Emmi Group Management or the management team of one of the subsidiaries. The basis for nomination as a member of the Board of Directors is the fulfilment of a specific profile of requirements.</p>
G4-39	Report whether the Chair of the highest governance body is also an executive officer	AR 2016 : p. 30	<p>The supreme controlling body of Emmi is the Board of Directors.</p> <p>None of the members of the Emmi Board of Directors was previously a member of Emmi Group Management or the management team of one of the subsidiaries.</p>

GRI no.	Reporting element	Link	Erläuterung
G4-40	Report the nomination and selection processes for the highest governance body and its committees	AR 2016 : p. 30	<p>The supreme controlling body of Emmi is the Board of Directors.</p> <p>Members of the Board of Directors are nominated on the basis that they meet a specific profile of requirements. Diversity and independence are taken into consideration. Specific technical knowledge is demanded as appropriate.</p> <p>For recruitment a profile of requirements and a “long list” are drawn up. External support is used as necessary. Individual meetings with the candidates and discussions in the Committee for Personnel Matters and the Board of Directors then follow.</p> <p>The majority shareholder of Emmi, Central Switzerland Milk Producers Cooperative (through its holding company ZMP Invest AG), has three representatives on the Board of Directors (Thomas Oehen-Bühlmann, Vice-Chairman, Christian Arnold-Fässler and Franz Steiger) and is thus involved in the process.</p>
G4-41	Processes for the highest governance body to ensure conflicts of interest are avoided and managed	AR 2016 : p. 105 Website ZMP (german) History of Emmi on Emmi's Emmi Website	<p>The majority of the shares in Emmi (54.4%) are held by the Central Switzerland Milk Producers Cooperative (ZMP) through its holding company ZMP Invest AG. The other major shareholders are also from the Swiss dairy industry (the Central Switzerland Milk Purchasers Association at 4.2 % and MIBA Association of Milk Producers of Northwestern Switzerland at 3.4 %). ZMP Invest AG , Lucerne, the Central Switzerland Milk Purchasers Association, Willisau, and MIBA Association of Milk Producers of Northwestern Switzerland, Basel, form a Group for the purposes of Article 121 FinMIA. The Group owns 62.0 % (previous year: 62.1 %) of the total voting rights.</p> <p>ZMP is represented on the Board of Directors of Emmi by three members. Ethos Foundation comments as follows on the independence of the Board of Directors of Emmi: <i>“While the overall board independence is insufficient, Ethos notes that the shareholder pool is represented by three directors, which Ethos can accept.”</i></p>

Highest governance body's role in setting purpose, values, and strategy

GRI no.	Reporting element	Link	Erläuterung
G4-42	Highest governance body's and senior executives' roles	AR 2016 : p. 36	<p>The supreme controlling body of Emmi is the Board of Directors.</p> <p>The Board of Directors is responsible for the overall management of the company and the Group, as well as for monitoring the management of the company in accordance with Art. 716a of the Swiss Code of Obligations. As part of the commitment to sustainability, at the request of Group Management in 2015 the Board of Directors of Emmi authorised the creation of a Sustainability Department and in 2016 approved the sustainability goals.</p> <p>The Board of Directors has delegated the operational tasks related to the sustainability to Group Management/extended Group Management and the Sustainability Department.</p>

Zuständigkeiten des höchsten Kontrollorgans und Leistungsbewertung

GRI no.	Reporting element	Link	Erläuterung
G4-43	Measures taken to develop and enhance the highest governance body's collective knowledge	AR 2017 : p. 37	<p>The supreme controlling body of Emmi is the Board of Directors.</p> <p>The Emmi Board of Directors is informed at every meeting by the Chairman, the chairpersons of the committees, the CEO, the CFO and – depending on the agenda item – by other members of Group Management about current business developments, the financial situation and key business events. Additional information is provided during committee meetings.</p> <p>The Emmi sustainability strategy has been a fixed part of the annual autumn strategy workshop of the Emmi Board of Directors and this body has a major impact on it.</p> <p>The specific sustainability objectives (running out to 2020) were approved by the Emmi Board of Directors in September 2016.</p> <p>All members of the Emmi Board of Directors have significant contact with sustainability issues in their individual functions outside Emmi. For this reason no additional measures have been taken to date to improve the collective knowledge of the Emmi Board of Directors in this area.</p>
G4-44	Processes for evaluation of the highest governance body's performance		<p>The supreme controlling body of Emmi is the Board of Directors.</p> <p>At present there is no procedure in use at Emmi to assess the performance of the Board of Directors on how it handles sustainability issues.</p> <p>However the Board carries out an annual self-evaluation. As part of this, the way in which economic, ecological and social issues are dealt with is also assessed.</p>

Rolle des höchsten Kontrollorgans beim Risikomanagement

GRI no.	Reporting element	Link	Erläuterung
G4-45	Report the highest governance body's role in the identification and management of impacts, risks, and opportunities	AR 2016 : p. 88	The supreme controlling body of Emmi is the Board of Directors. The Board of Directors of Emmi AG has the ultimate responsibility for risk management, while implementation is delegated to Group Management. Irrespective of the type of risk, there is a generally applicable risk management process. As part of a formal process, significant business risks are assessed in workshops and individual interviews according to the extent of the potential damage and their likelihood of occurrence. This process is divided into two sub-processes: risk analysis and definition of measures. The first sub-process includes risk identification, assessment and classification. Risks are classified according to whether they are strategic, operational, financial or compliance-related. The second sub-process, definition of measures, covers how to deal with risks and the creation of a catalogue of measures per risk, as well as risk reporting.
G4-46	Highest governance body's role in reviewing the effectiveness of the organization's risk management processes	AR 2016 : p. 88	The supreme controlling body of Emmi is the Board of Directors. The Board of Directors of Emmi AG approves and monitors the implementation of defined measures by Group Management.
G4-47	Frequency of the highest governance body's review of impacts, risks, and opportunities.	AR 2016 : p. 88	The supreme controlling body of Emmi is the Board of Directors. It carries out an annual self-evaluation. As part of this, the way in which economic, ecological and social issues (such as management of the associated risks) are dealt with is also assessed.

Highest governance body's role in sustainability reporting

GRI no.	Reporting element	Link	Erläuterung
G4-48	Highest committee or position that formally reviews and approves the organization's sustainability		The supreme controlling body of Emmi is the Board of Directors. The Chairman of the Board of Directors played an active part in drafting the foreword to this GRI Content Index. He also received extracts from this GRI Content Index for review during the production process.

Highest governance body's role in evaluating economic, environmental and social performance

GRI no.	Reporting element	Link	Erläuterung
G4-49	Process for communicating critical concerns to the highest governance body		<p>The supreme controlling body of Emmi is the Board of Directors.</p> <p>There is no standardised process for informing the Board of Directors of critical issues. However, any employee can at his or her discretion approach the Chairman of the Board of Directors directly with critical issues. This is part of the “open doors” communication culture at Emmi.</p> <p>“Business performance” is on the agenda at every meeting of the Board of Directors, and as part of this the CEO reports on any critical issues and developments.</p>
G4-50	Nature and total number of critical concerns		<p>The supreme controlling body of Emmi is the Board of Directors.</p> <p>As Emmi does not have a formalised process for reporting critical issues to the Board of Directors, there is also no overview of the process.</p>

Remuneration and incentives

GRI no.	Reporting element	Link	Erläuterung
G4-51	Remuneration policies for the highest governance body and senior executives	Compensation report: AR 2016 : p. 46 - 47, 50	<p><u>Remuneration policies for the highest governance bodys</u></p> <p>The remuneration of members of the Board of Directors and the Agricultural Council is not related to performance. It is therefore purely basic remuneration, which is paid in cash. It comprises a basic salary and compensation for attending meetings. The amount of the remuneration reflects the time and work which the members invest to fulfil their duties in the Board of Directors, Agricultural Council and the committees, as well as in the two pension fund foundations. In particular, the members of the Board of Directors and the Agricultural Council do not receive any bonus payments or other financial benefits such as employee terms and conditions, pension fund contributions or discounted share options. They have no entitlement to services or non-cash benefits.</p> <p><u>Remuneration policies for the senior executives</u></p> <p>Remuneration of the members of Group Management comprises a fixed and a variable remuneration component.</p> <p>Variable compensation: Article 29b of the Articles of Association states that, in general, the variable remuneration paid to a member of Group Management may not exceed 50 % of his/ her fixed remuneration. This is a bonus based on achievement of performance targets, which is paid in cash. The amount reflects the result of the previous financial year and comprises the following three criteria: Group performance, business area performance, achievement of individual performance targets. The non-achievement of targets may lead to this remuneration not being paid at all in extreme cases; in the event of over-achievement of targets, it can increase up to a maximum of 120 % of the target amount. The variable remuneration of the CEO and the other members of Group Management is agreed by the Personnel and Compensation Committee in connection with the business results.</p> <p>The General Meeting approves the total variable remuneration from the previous financial year. The Personnel and Compensation Committee decides the fixed remuneration of the CEO and other members of Group Management for the following year, taking into account the maximum ceiling amount approved by the General Meeting.</p>

GRI no.	Reporting element	Link	Erläuterung
G4-52	Process for determining remuneration	Compensation report AR 2016 : p. 47-48	<p><u>Remuneration policies for the highest governance bodys</u></p> <p>No external advisor was consulted regarding the remuneration structure.</p> <p>Once a year, the Personnel and Compensation Committee assesses the remuneration of the Board of Directors compared to listed (small cap) and private Swiss companies. In doing so, it takes into account companies from the consumer goods sector with a similar level of internationalisation, together with firms based in the region from various sectors and of different sizes. Approximately 20 companies meeting the criteria given above, primarily from the food, machinery, plastics and retail industries, served as the comparison group. In addition, the Committee has access to a benchmark study from 2014 which compared the compensation of the Emmi Board of Directors to external salaries and analysed whether the current remuneration and remuneration structure were in line with the market.</p> <p><u>Remuneration policies for the senior executives</u></p> <p>No external advisor was consulted regarding the remuneration structure.</p> <p>The basic remuneration reflects the experience, knowledge and continuing performance of members of Group Management as well as the competitiveness in external market comparisons based on function-related salary benchmarks. The Personnel and Compensation Committee has available to it a study from 2014 for the purpose of comparing the adequacy and competitiveness of the total remuneration. The same comparison group is used for the function-related salary benchmark and for the assessment of the remuneration of the Board of Directors.</p>

GRI no.	Reporting element	Link	Erläuterung
G4-53	How stakeholders' views are sought and taken into account regarding remuneration		<p>Stakeholders can express their opinion on the remuneration policy to the Emmi Board of Directors directly at any time. Emmi does not, however, have a standardised process for dealing with such submissions.</p> <p>Shareholders can express their views on the Emmi remuneration policy at the Annual General Meeting and vote on the specific amounts.</p> <p><u>External analysis of remuneration</u></p> <p>In its proxy report in advance of the Emmi Annual General Meeting 2017 Ethos Foundation, for example, recommended that the proposed remuneration of all members of the Board of Directors be approved. Ethos commented as follows:</p> <ul style="list-style-type: none"> - Compensation of the Board of Directors: <i>“The members of the board of directors have not received options or variable remuneration, which is in line with best practice. In addition, in view of the company's size and complexity, Ethos considers that the proposed board remuneration is acceptable. Therefore, Ethos, in accordance with its voting guidelines, recommends to vote FOR.”</i> - Compensation of the Agricultural Council: <i>“Ethos has no concern with the requested amount and, in accordance with its voting guidelines, recommends to vote FOR.”</i> - Framework for compensation of Group Management for 2017: <i>“In view of the company's size and complexity, Ethos considers the proposed fixed remuneration as acceptable. In fact the base salaries, assuming they do not increase significantly, are reasonable when compared to a group of similar companies. Therefore, Ethos, in accordance with its voting guidelines, recommends to vote FOR.”</i> - Compensation of Group Management for 2016: <i>“As mentioned above, Ethos would prefer additional information with regard to the pay-for-performance connection, however, in view of the performance of the company, Ethos considers that the amount requested by the board is adequate. In addition, the remuneration structure is in line with Ethos' guidelines in particular, Ethos' limit on variable remuneration vs. base salary is respected. Therefore, Ethos, in accordance with its voting guidelines, recommends to vote FOR.”</i>

GRI no.	Reporting element	Link	Erläuterung
G4-54	Ratio of the annual total compensation for the organization's highest-paid individual in each country	Compensation report AR 2016 : p. 50	As part of its annual reporting Emmi duly publishes the remuneration of the Board of Directors, Group Management and the Agricultural Council. Information on average salaries and the remuneration of local managers is not disclosed.
G4-55	Ratio of percentage increase in annual total compensation for the organization's highest-paid individual in each country	Compensation report AR 2016 : p. 50	As part of its annual reporting Emmi duly publishes the remuneration of the Board of Directors, Group Management and the Agricultural Council. Information on country-based remuneration policies is not disclosed.

Ethics and Integrity

'In accordance' – Core: G4-56

GRI no.	Reporting element	Link	Erläuterung
G4-56	Organisation's values, principles, standards and norms of behavior	Corporate Values, Code of Conduct, Modern Slavery Act Statement on Emmi's Website	<p><u>Five Corporate Values:</u></p> <ul style="list-style-type: none"> - We are Emmi! - We are market-oriented! - We know how! - We are proactive, and not afraid of hard work! - We are continually developing! <p><u>Emmi Group Code of Conduct:</u></p> <ul style="list-style-type: none"> - Quality - Safety, health - Environment - Fair working conditions - Equality - Integrity - Legislation

GRI no.	Reporting element	Link	Erläuterung
G4-56 cont.			<p><u>Modern Slavery Act Statement</u></p> <p><u>Anti-Corruption Policy</u></p> <p>Emmi has had a global Anti-Corruption Policy since January 2017. This policy is based on the Emmi Code of Conduct and Swiss legislation and contains the global Emmi standards. If any country has stricter laws or provisions than Switzerland, these replace the principles described in the Emmi Anti-Corruption Policy.</p> <p>This policy contains detailed comments and rules on corruption and bribery and how to specifically deal with gifts, invitations, donations and sponsorship.</p> <p>It states that Emmi does not tolerate corruption or active or passive bribery in any form. The explicitly includes bribing private individuals and granting advantages and corrupt payments.</p>
G4-57	Internal and external mechanisms for seeking advice on ethical and lawful behavior	NHB 4: G4-56	
G4-58	Internal and external mechanisms for reporting concerns about unethical or unlawful behavior		Emmi has no formalised processes for reporting doubts about ethically unacceptable or unlawful conduct or issues of integrity.

Specific Standard Disclosures

Introductory remarks

While the GRI requirements for the General Standard Disclosures are the same for all companies, the Specific Standard Disclosures should focus on those aspects that are material to the reporting company.

Emmi has identified the following sustainability aspects as material based on the Materiality Principle (see G4-18 and G4-19):

- The company's economic performance ①
- The raw material milk ② 
- Greenhouse gas emissions ③ 
- Waste ④ 
- Labour/management relations ⑤ 

For the Core option, at least one indicator is required for each material aspect. The selected indicators are listed below. References are also specified where relevant information on additional indicators is publicly available.

When selecting the indicators for the material aspects listed above, Emmi has also taken into account the sector-specific disclosures for food companies (G4 Food Processing Sector Disclosures) where they are material.

None of the indicators were externally audited.

G4-DMA: Disclosures on Management Approach for sustainability in general

In a food company, sustainability issues are omnipresent throughout the value chain. For this reason, Emmi is committed to embedding sustainability in the line. Key elements of this:

- The Emmi corporate values
→ more: [SR 1](#): p. 39 / [SR 2](#): p. 10 / [SR 3](#): p. 5, 7 / www.emmi.com/sustainability
- The established efficiency improvement and cost-saving programme “Emmi Operational Excellence” (EOE)
→ more: [SR 1](#): p. 13 / [SR 2](#): p. 10, 22, 43
- Quality, security and environmental management
→ more: [SR 1](#): p. 15 / [SR 2](#): p. 13, 39 / [SR 3](#): p. 5, 13, 31

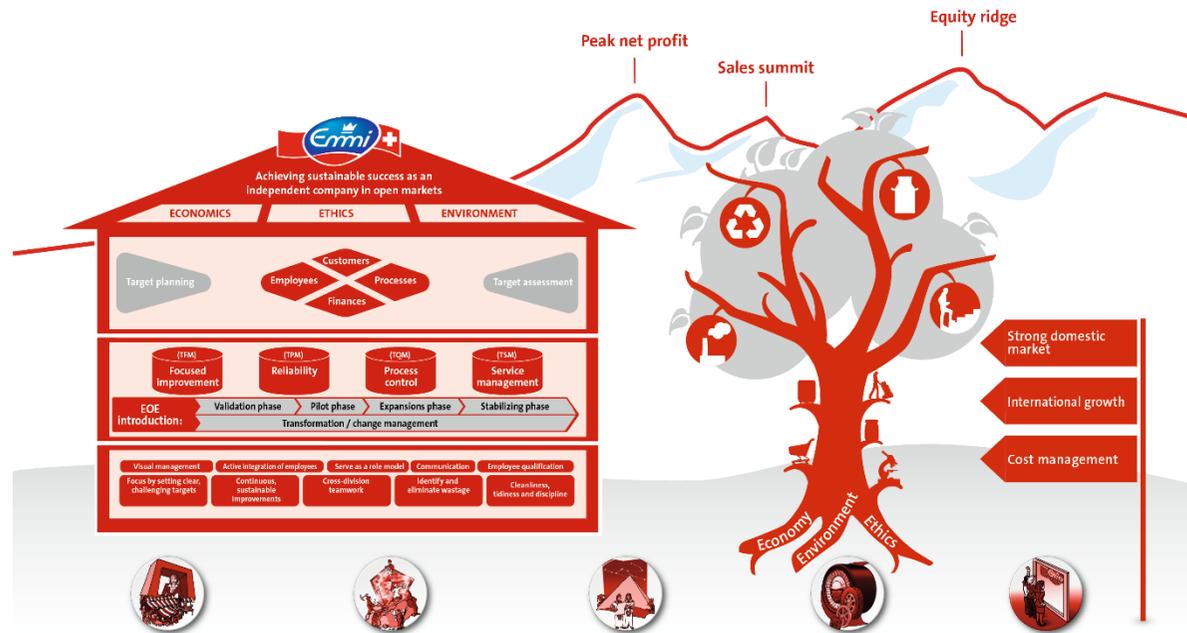


Figure 13: Embedding the sustainability tree in the Emmi world (from bottom to top: corporate values, strategy, EOE, business management targets).

cont. G4-DMA (Management Approach for sustainability in general)

Organisation

In 2015 Emmi's Board of Directors and Group Management decided to raise sustainability to a strategic level. Since then, sustainability has been one of five strategic initiatives within the company, and in 2016 a dedicated Sustainability Department was established to embed the topic in its corporate structure.

On an organisational level, the **Sustainability Department** reports to Supply Chain Management. Strategic matters and decisions about larger financial sums for sustainability projects are generally handled by the **Sustainability Steering Committee**, but are also subject to approval by **Group Management** and the **Board of Directors**, where necessary (e.g. objectives).

Members of the **Sustainability Steering Committee**:

- Chief Supply Chain Officer (Head)*
- Chief Human Resource Officer*
- Chief Marketing Officer*
- Executive Vice President Americas*
- Executive Vice President Europe*
- Executive Vice President Switzerland*
- Leiter Handel & Supply Chain Management Switzerland
- Head of Sustainability
- Head of Quality, Security, Environment
- Group Communication

*Members of the Group Management

Four **Focus issue Heads** were appointed to oversee implementation of the strategic issues within the four focus issues. They each have a strong connection to their respective topic in their day-to-day work.

- Focus issue «Greenhouse gases»  Head of Production Operations Suhr (Switzerland)
- Focus issue «Sustainable milk»  Head of Purchasing Switzerland
- Focus issue «Waste»  Head Innovation & Process Intelligence
- Focus issue «Employee development»  HR Consultant

The Focus Issue Heads are all members of the **Sustainability Core Team**. This is supplemented by representatives from various departments (Global Marketing, Communication, Technology, Environmental Management, Corporate Development). Twenty **Sustainability Officers** provide a broad-based network within the company. They receive regular training on sustainability matters so they can serve as ambassadors in their environment and also identify issues relevant to sustainability and exert influence where necessary.

→ more on the organisation: [SR 2](#): p. 13 - 15 / [SR 3](#): p. 13 / www.emmi.com/sustainability

cont. G4-DMA (Management Approach for sustainability in general)

The **Head of Sustainability**, who has been in post since January 2016, has implemented the following measures over the last year and a half:

- Checking the plausibility of the strategy (incl. focus issues)
- Formulating binding objectives for the four focus issues
→ more: www.emmi.com/nachhaltigkeit
- Building up partnerships (e.g. with WWF Switzerland)
- Updating and expanding a global sustainability organisation
→ more: [SR 3](#): p. 13 / www.emmi.com/sustainability
- Conducting a survey of greenhouse gas emissions throughout the entire Group

The ongoing duties of the **Head of Sustainability** include:

- Preparing bases for decision for the Sustainability Steering Committee
- Heading up the Sustainability Core Team
- Embedding sustainability issues within the company
- Raising awareness among and providing targeted information to employees

cont. G4-DMA (Management Approach for sustainability in general)

Strategy

Emmi decided in 2015 to focus its sustainability efforts on the four issues that are most relevant to milk processing. These **focus issues** are:

- «Greenhouse gases» 
- «Sustainable milk» 
- «Waste» 
- «Employee development» 

To underpin the binding nature of its sustainability ambitions and demonstrate them to stakeholders, in autumn 2016 Emmi communicated specific **commitments** regarding the four focus issues. It took several months to flesh out these **objectives**, as in some cases they called for intensive dialogue with various stakeholders or the procurement of fundamental data. The objectives were finalised by Group Management in summer 2016 and presented to the Board of Directors for approval in September 2016.

- Focus issue «Greenhouse gases»  :
By 2020 Emmi will reduce its global CO₂ emissions in Scope 1 and 2 by at least 25 % per kilogram of processed milk.
- Focus issue «Sustainable milk»  :
By 2020 all Emmi's Swiss milk suppliers will meet the strict requirements of the Emmi sustainability standard.
- Focus issue «Waste»  :
By 2020 Emmi will reduce food and packaging waste by 20 % and will promote closed-loop recycling for packaging materials.
- Focus issue «Employee development»  :
By 2020 Emmi will fill at least 50 % of all vacancies for key positions with internal candidates.

cont. G4-DMA (Management Approach for sustainability in general)

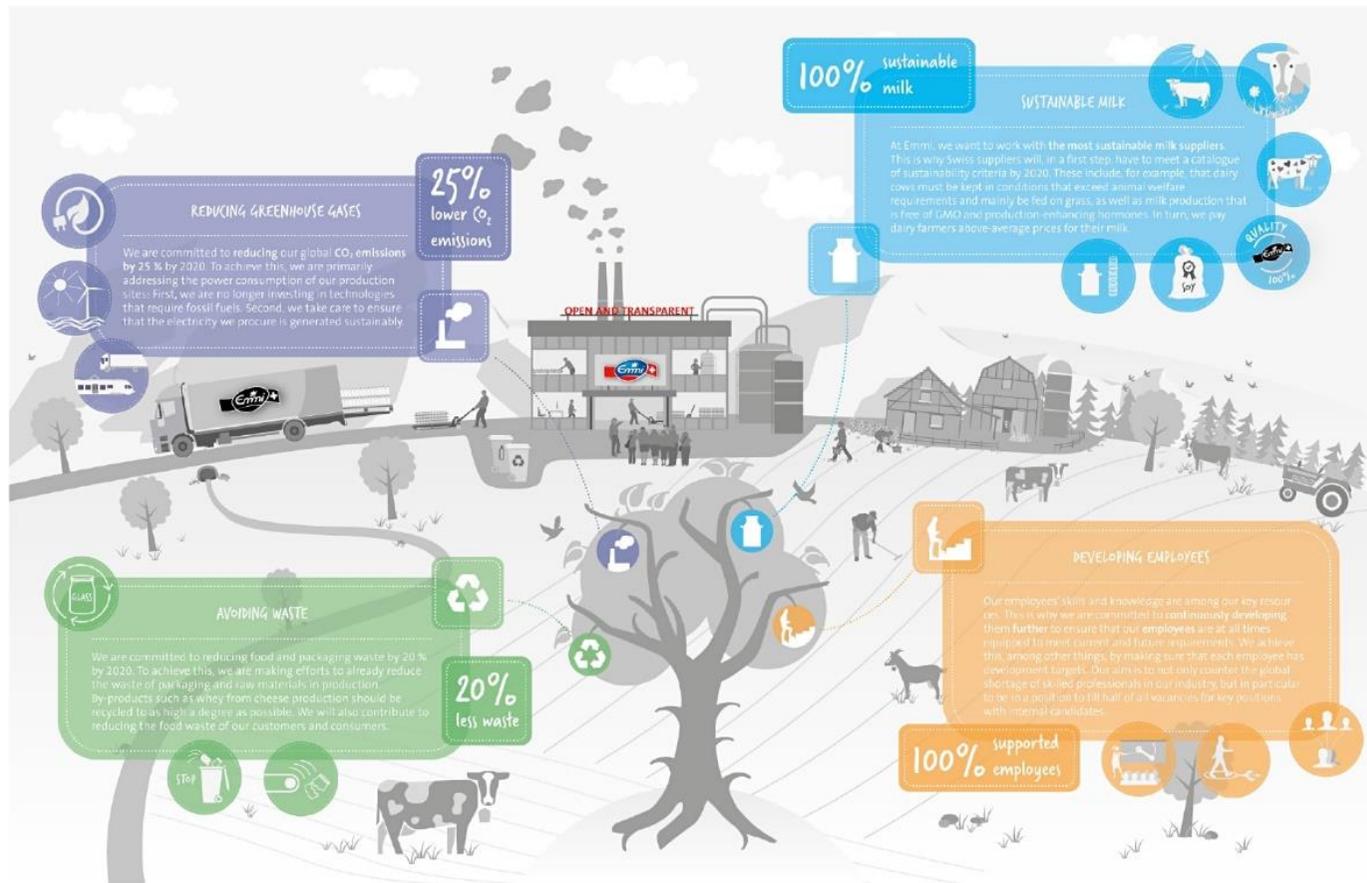


Figure 14: Emmi's sustainability commitments

→ more on the sustainability commitments: www.emmi.com/sustainability

cont. G4-DMA (Management Approach for sustainability in general)

Financing

Sustainability has also been embedded as a strategic initiative in our internal objectives since 2017. The three country divisions are therefore obliged to make their contribution to achieving the group's overall sustainability objectives. To support this, since 2016 the Sustainability Department has had financial resources at its disposal to promote sustainability projects.

These financial resources come from the redistribution of the CO₂ levy it used to pay. This is a key tool in Switzerland for achieving official climate protection targets. It is an incentive fee that has been levied on fossil fuels such as heating oil and natural gas since 2008, thus making fossil fuels more expensive, encouraging more economical use and promoting the increased use of carbon-neutral or low-carbon alternatives.

→ more on the CO₂ levy: [Federal Office for the Environment \(FOEN\)](#)

Since 2016, one half of the redistributed incentive fees that Emmi receives in exchange for achieving the CO₂ reduction targets agreed with the Swiss government have been redirected into an internal fund. This is supplemented by funds from the sale of CO₂ certificates generated through the increased efficiency achieved (reduced emissions). The **Emmi Sustainability Fund** has been set up to provide financial support for domestic and international projects that enable the Group to make progress on sustainability issues. A set of rules accessible to all employees defines which projects are worthy of support.

In principle, a distinction is drawn between two types of projects: pioneer projects and start-up financing.

Pioneer projects are visionary for Emmi or for the sector. They are relevant to sustainability (ecology, ethics, society, economy) and the sustainable positioning of the Emmi Group. They provide appropriate support to the focus issues. The maximum contribution is CHF 75,000 per year for up to three years. Contributions do not have to be repaid.

Start-up financing is intended to lower the profitability hurdles (e.g. payback deadlines) faced by large-scale, long-term projects. Projects which make a significant contribution to reducing greenhouse gases or increasing efficiency are considered for financing.

The contribution is a non-recurring payment of up to CHF 1 million and may constitute no more than 30 % of the investment required for the project.

Projects can be submitted using standardised application forms for financing. Applications are reviewed by the Head of Sustainability according to a predefined points system and then submitted – with a recommendation – to the Sustainability Steering Committee for a decision. Applications for start-up financing are given final approval by Group Management.

cont. G4-DMA (Management Approach for sustainability in general)

Communication

A range of internal communication methods are used to raise awareness of sustainability issues among employees.

- Sustainability motto for the year incl. sustainability competition
→ more: [SR 2](#): p. 12 / [SR 3](#): p. 14 – 15 / www.emmi.com/sustainability
- Energy and climate workshop (training, projects, competition) for all apprentices in Switzerland
→ more: [myclimate](#) (German/French/Italian)
- Topic at annual employee event
- Regular reports in in-house magazine
→ more: [SR 2](#): p. 12
- Numerous voluntary activities relating to sustainability (e.g. bike to work)

Material sustainability aspects in the Emmi Group («focus areas»): Disclosures on Management Approach and Indicators

Category: Economic - material aspect: Economic performance

G4-DMA (Disclosures on Management Approach)

The economic performance aspect is crucial for all companies. All activities fall under this aspect. Since Emmi's annual reporting process covers this aspect in detail and in full, it is excluded from this sustainability report.

Indicator: G4-EC1

Consolidated income statement

in CHF 000s

	Notes	2016	%	2015	%
Sales of products		3,233,952		3,188,315	
Sales of services		24,873		25,585	
Net sales	1	3,258,825	100.0	3,213,900	100.0
Change in inventories of semi-finished and finished products		-21,017	0.6	586	
Cost of materials and services		-2,058,296	63.2	-2,096,786	65.2
Gross operating profit		1,179,512	36.2	1,117,700	34.8
Other operating income	2	4,736	0.1	6,660	0.2
Personnel expenses		-424,494	13.0	-402,272	12.5
Other operating expenses	3	-431,602	13.2	-407,141	12.7
Operating expenses		-856,096	26.2	-809,413	25.2
Earnings before Interest ¹⁾, taxes, depreciation and amortisation (EBITDA)		328,152	10.1	314,947	9.8

Earnings before Interest ¹⁾, taxes, depreciation and amortisation (EBITDA)		328,152	10.1	314,947	9.8
Depreciation on property, plant and equipment	4	-95,563	3.0	-98,440	3.0
Amortisation on intangible assets	4	-30,222	0.9	-28,275	0.9
Write-back of negative goodwill		310		630	
Earnings before Interest ¹⁾ and taxes (EBIT)		202,677	6.2	188,862	5.9
Income from associates and joint ventures		3,936		1,058	
Financial result	5	-14,618		-22,053	
Earnings before taxes (EBT)		191,995	5.9	167,867	5.2
Income taxes	6	-33,700		-31,848	
Profit incl. minority interests		158,295	4.9	136,019	4.2
Minority interests		-17,974		-15,838	
Net profit		140,321	4.3	120,181	3.7
Earnings per share (diluted/basic in CHF)	7	26.23		22.46	

¹⁾ Incl. income from associates and joint ventures and other financial positions that are reported in the financial result.

→ detailed information: [AR 2016](#)

Category: economic - material aspect: Procurement



100% sustainable milk

The raw material milk is the most relevant sustainability issue for Emmi from a procurement perspective. The reasons for this are as follows: Firstly, the majority of the environmental impact of a milk product arises during milk production. Secondly, milk production is associated with considerable social, ethical and social issues. Thirdly, Emmi occupies an important position as a consumer of substantial milk volumes in a number of countries. Emmi has therefore decided to exert a greater influence on the production of its most important raw material in the future.

The first objective defined within this focus issue is that by 2020 all Swiss suppliers of cow's milk must comply with a catalogue of sustainability requirements.

G4-DMA (Disclosures on Management Approach)

Starting point

For historical reasons, Emmi has close ties to dairy farmers in its home market of Switzerland. The company has its origins in the Central Switzerland Milk Association in Lucerne (*Zentralschweizerischer Milchverband, MVL*), which was founded by a number of farming cooperatives in 1907. Its successor organisation – the Central Switzerland Milk Producers Cooperative (*Genossenschaft Zentralschweizer Milchproduzenten, ZMP*) – still holds the majority of Emmi shares today (through its holding company ZMP Invest AG).

→ more about Emmi's majority shareholder ZMP: <http://www.zmp.ch/> (German)

Step 1: Groundwork by ETH Zurich

Work on the focus issue "Sustainable milk" began at Emmi at the start of 2015. In addition to Emmi, the parties involved also included a representative of the main shareholder and primary milk supplier ZMP and a representative from each of Emmi's direct suppliers.

As part of an interdisciplinary seminar, Master's students in agricultural and food sciences at the Swiss Federal Institute of Technology (ETH) in Zurich spent a semester analysing extensive background material. By researching the literature they identified a comprehensive list of sustainability aspects in milk production, then conducted surveys among consumers and milk producers on this basis.

cont. G4-DMA (Management Approach for material aspect Procurement)

The aim of the consumer survey¹ was to ascertain the importance of various sustainability aspects for consumers. They revealed that Swiss consumers who are sensitive to sustainability issues are most concerned about animal husbandry and welfare (e.g. reduced use of antibiotics, access to pastures, cowsheds), followed by social aspects (dairy farming operations) and animal feed (e.g. sustainable soya, grass-fed milk production). Ecological issues have the lowest importance. In addition, 77 % of consumers said they would be willing to pay more for products made from sustainable milk.

The aim of the milk producer survey² was twofold: to assess the current situation among Emmi's direct providers with regard to the sustainability aspects identified, and to analyse the available potential. The findings revealed – unsurprisingly – that Emmi's Swiss milk suppliers already work in a very sustainable manner, especially as far as the key issue of animal welfare is concerned. For example, 85 % of dairies participate in the government's RAUS³ programme, 75 % give their dairy cows daily access to open pasture, and 58 % of stalls are BTS⁴ cowsheds. Only 9 % of dairies participate in neither the RAUS nor the BTS programme. This high standard is also reflected in the above-average life expectancy of dairy cows compared with those in other countries.

The students combined the importance for consumers and the current situation and potential among milk suppliers to derive a recommendation for Emmi about which aspects should take priority in a sustainability strategy for milk procurement. These were as follows, in order of importance: use of antibiotics, access to pastures and animal life expectancy.

Step 2: Dialogue with stakeholders

The recommendation made by the ETH students provided Emmi with a solid basis. This was then discussed internally and externally from autumn 2015 onwards. Emmi was supported in this work by [Flury & Giuliani](#), a consulting and applied research company in agricultural and regional economics, which had already been involved in the groundwork done by the ETH students.

Over the course of six months, the scientific bases were revisited and refined, a competitor analysis was carried out and targeted discussions (incl. a comprehensive written catalogue of questions) were held with various stakeholders. These included a group of milk suppliers with whom Emmi has a direct contractual relationship ("direct suppliers"), WWF Switzerland, Swiss Animal Protection (*Schweizerische Tierschutz*, STS), the largest Swiss customer Coop (retailer), Sales in Switzerland, and representatives of Emmi in Germany, France, the UK, Canada, the US and the Global Trade Division⁵.

¹ n = 351

² n = 4,350

³ RAUS = Regelmässiger AUSlauf im Freien (regular access to open pasture) = government animal welfare programme (<https://www.blw.admin.ch/blw/de/home/instrumente/direktzahlungen/produktionssystembeitraege/tierwohlbeitraege.html>).

⁴ BTS = Besonders Tierfreundliche Stallhaltung (particularly animal-friendly husbandry systems) = government animal welfare programme (<https://www.blw.admin.ch/blw/de/home/instrumente/direktzahlungen/produktionssystembeitraege/tierwohlbeitraege.html>).

⁵ The Global Trade Division handles Emmi's export business from Switzerland to countries where Emmi does not have any local subsidiaries (Asia, Middle East, Eastern Europe, parts of South America).

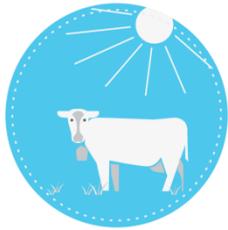
cont. G4-DMA (Management Approach for material aspect Procurement)

In June 2016, the work done by Flury & Giuliani resulted in the framework for an Emmi sustainability concept in the area of milk procurement.

Step 3: Definition of objectives

Building on the proposal submitted by Flury & Giuliani, an internal Emmi working group developed a concrete proposal outlining how Emmi should exert influence on sustainability in milk production going forward. The main thrusts of the concept were:

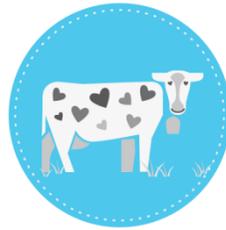
- To focus in an initial phase on Swiss suppliers of cow's milk. This was firstly because it would cover the majority of the milk processed by Emmi, and secondly because the discussions with customers and consumers showed that sustainability is particularly relevant for consumers of Swiss milk products (primarily in Switzerland).
- To aim for a standard that is well above average, even within Switzerland, especially with regard to animal welfare (husbandry and feed).
- To aim to achieve the objective by 2020, to allow sufficient time for in-depth analyses and measures.
- To take particular account of the following sustainability aspects in milk production in the future:



Plenty of open pasture



Mainly roughage



Avoidance of antibiotic residues and growth-promoting hormones



High milk quality



Certified soy



Above-average milk price

cont. G4-DMA (Management Approach for material aspect Procurement)

Emmi Group Management approved this concept in summer 2016, with the Board of Directors following suit in September 2016.

The *commitment* was summarised as follows: «*By 2020 all Emmi's Swiss milk suppliers will meet a catalogue of sustainability criteria.*»

Step 4: Implementation

Since the beginning of 2017 the “Sustainable milk” focus team and Milk Purchasing at Emmi have been working on implementing the objective communicated in autumn 2016. The first step involved conducting an in-depth review by means of surveys. At the same time, the dialogue with milk suppliers and their organisations is ongoing. We are also in the process of setting up a monitoring system that will allow us to measure the material sustainability aspects and track their development. This monitoring system will enable us to gauge the progress made with regard to the material sustainability aspects, identify any deviations from the target value and take any corrective measures necessary. These could include, for example, new flagship projects to promote sustainable milk production or targeted compensation for additional measures implemented.

To compensate them for their extra work, Emmi has committed to paying its milk suppliers a verifiably above-average milk price. There are, as is to be expected, still differing opinions regarding the value of this extra work. With that in mind, additional discussions will be held with the supplier organisations in late summer 2017.

We are convinced that differentiation begins as early as the milk production stage, and only sustainable milk production justifies a higher milk price than in other countries over the long term. There is also almost full consensus with our milk suppliers on this issue.

The key factors here are any additional measures that some milk suppliers may have to implement from 2020, and the milk price in general or any form of payment for sustainability measures to be implemented by milk suppliers.

Indicator: FP1 – Percentage of purchased volume from suppliers compliant with company's sourcing policy

Emmi has set itself the target of procuring Swiss cow's milk exclusively (100 %) from suppliers who meet defined sustainability criteria by 2020. As described in the disclosures on management approach, since 2017 Emmi has been focusing on the current situation analysis and the precise definition of the target status.

A survey of around 2,000 of Emmi's direct suppliers was conducted in spring 2017. The response rate was approximately 30 %. With regard to the issues relevant to the future Emmi sustainability standard, the survey revealed the following:

- 89 % of milk suppliers rear their dairy cattle in compliance with either the RAUS or BTS **animal welfare standard**.
 - o 83 % of milk suppliers rear their dairy cattle in compliance with the RAUS standard.
 - o 53 % of milk suppliers rear their dairy cattle in compliance with the BTS standard.
- 92 % of milk suppliers feed their dairy cattle with at least 80 % **roughage**.
- 93 % of milk suppliers feed their dairy cattle with **roughage** from Switzerland.

With regard to the relevant sustainability aspects, it can also be concluded that:

- Swiss milk is currently produced with **GMO-free** feed, primarily as a result of the moratorium on GMOs⁶.
- Milk producers in Switzerland **may not use any performance-enhancing hormones** for their dairy cattle.
- In 2016 Emmi paid its Swiss milk suppliers a verifiably **above-average milk price** compared to other Swiss milk buyers.

⁶ Gene Technology Act (GTA): <https://www.admin.ch/gov/de/start/dokumentation/medienmitteilungen.msg-id-62442.html>



Emmi is supporting the following **flagship projects** within the focus issue «Sustainable milk»:

- KOMETIAN

Association that promotes a complementary animal medicine offering to reduce the use of antibiotics in livestock farming.

→ more on KOMETIAN: <http://www.kometian.ch/> (German)

- AgroCleanTech

Energy and climate protection agency for agriculture.

→ more on AgroCleanTech: <http://www.agrocleantech.ch/de/> (German/French)

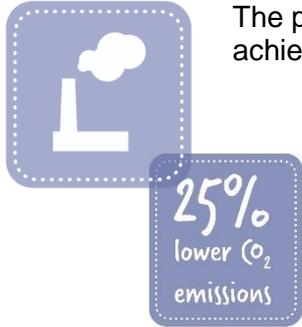
- NOVANIMAL

Research project focusing on innovations in the area of future-viable nutrition and food production.

→ more on NOVANIMAL: <https://novanimal.ch/> (German)

→ more on the focus area «Sustainable milk» [SR 3](#): p. 11 / www.emmi.com/sustainability

Category: Environmental - material aspect: Emissions



The production, storage and transportation of milk products involves considerable energy input. However, significant improvements can be achieved by enhancing efficiency and replacing fossil fuels with carbon-neutral or low-carbon alternatives.

Emmi has therefore committed to reducing its global CO₂ emissions by 25 %⁷ by 2020.

G4-DMA (Disclosures on Management Approach)

Starting point

Since 2008 Switzerland has levied an incentive fee on fossil fuels to help it achieve its climate protection targets. Making these energy sources more costly encourages more economical use and promotes the use of carbon-neutral or low-carbon alternatives. Companies in energy-intensive industries can obtain a government exemption from the CO₂ levy (from the [Federal Office for the Environment FOEN](#)) if they commit to reducing their greenhouse gas emissions (CO₂ objective). Emmi makes use of this opportunity and is proud to have exceeded the government's requirements in the first commitment period (2008 to 2012). This was achieved by making increased use of alternative energy sources (e.g. district heating, woodchips, solar energy) and through sites striving to make constant advances in energy efficiency (e.g. through process optimisations, more efficient pumps and motors, heat recovery, etc.).

⁷ per kilogram of processed milk

cont. G4-DMA (Management Approach for material aspect Emissions)

Step 1: Definition of objectives

In the second commitment period (2013 to 2020), the government has specified a CO₂ reduction of 20 % (compared with 1990). Emmi would like to achieve this target not only in its Swiss facilities but also at its international production sites.

The target of reducing global greenhouse gas emissions by 25 % is based on 2014 as the base year, calculated as a proportion of processed milk volumes and reported in CO₂ equivalent. This is due to the considerable acquisition-based growth of the Emmi Group. The reductions will be made in Scopes 1 and 2 and thus in relation to the following issues:



Energy efficiency



Carbon-neutral and low-carbon energy sources



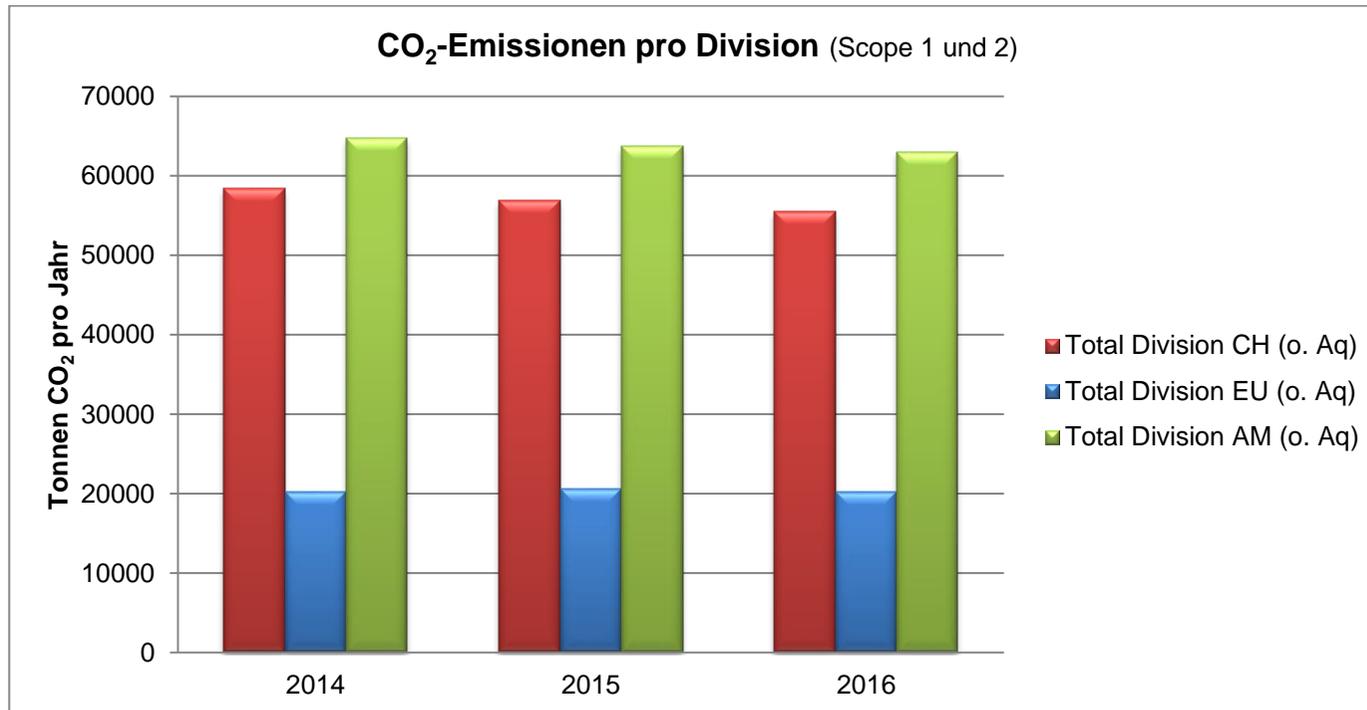
Environmentally friendly transportation

cont. G4-DMA (Management Approach for material aspect Emissions)

Step 2: Quantifying global greenhouse gas emissions

Emmi has quantified its greenhouse gas emissions in Switzerland and abroad since 2016. Emission sources include fossil fuels (for thermal processes), electricity and diesel (for vehicles).

Across all divisions and all energy sources, the global Scope 1 and 2 CO₂ emissions of all Emmi sites amount to a total of 138,800 tonnes of CO₂ equivalent⁸. The Americas Division (sites in the US, Tunisia and Spain) is the largest contributor at around 63,000 tonnes of CO₂, followed by Switzerland (55,500 tonnes) and the Europe Division (20,300 tonnes), comprising its sites primarily in Italy, Germany and the Netherlands.



⁸ 2016, adjusted for acquisitions, absolute

cont. G4-DMA (Management Approach for material aspect Emissions)

Step 3: Breaking down the reduction target across the divisions

All production sites must do their bit to meet the reduction target of -25 % CO₂. Due to the special features of Swiss climate policy, Swiss sites have a major financial incentive to reduce their CO₂ emissions. In other countries such incentives are few and far between. For this reason, the Heads of the Americas, Europe and Switzerland Divisions have been given specific CO₂ reduction targets. These are based on a potential analysis of the production sites, with the focus of the reduction measures up to 2020 still being placed on Switzerland since larger projects (construction measures, major investments, etc.) require a process spanning several years.

CO₂ reduction targets up to 2020 by division:

- Switzerland Division: -34,000 tonnes CO₂
- Europe Division: -1,000 tonnes CO₂
- Americas Division: -3,000 tonnes CO₂

Step 4: Regulating the financing of CO₂ projects

The CO₂ reduction targets are defined centrally. Line management is generally responsible for the measures implemented to achieve these objectives. Since 2017 Emmi's sustainability organisation has exerted influence on this by providing financial support for specific projects via a sustainability fund.

→ for more information see the general disclosures on management approach regarding sustainability at Emmi (above)

Step 5: Measures to reduce CO₂ emissions

In the base year 2014 Emmi generated global CO₂ emissions of around 143,000 tonnes. Of these, 89,000 tonnes were Scope 1 emissions (fuels, diesel), while 54,000 tonnes were Scope 2 (electricity).

Since 2014 (base year) the CO₂ output has been considerably reduced by means of the following measures:

- 2016: Integration of an additional heat exchanger in the ultrafiltration process in Dagmersellen (Switzerland)
→ annual CO₂ reduction of 555 tonnes
- 2016: Isolation of various steam, hot water and condensation pipes in Landquart (Switzerland)
→ annual CO₂ reduction of 114 tonnes

cont. G4-DMA (Management Approach for material aspect Emissions)

- 2017: Switchover to 100 % electricity from hydropower for all Swiss sites
→ annual CO₂ reduction of 14,000 tonnes
- 2017: Switchover of lighting to LED at Rachelli (Italy)
→ annual CO₂ reduction of 70 tonnes
- 2017: Photovoltaic system at Cowgirl Creamery (Petaluma, US)
→ annual CO₂ reduction of 80 tonnes

Outlook

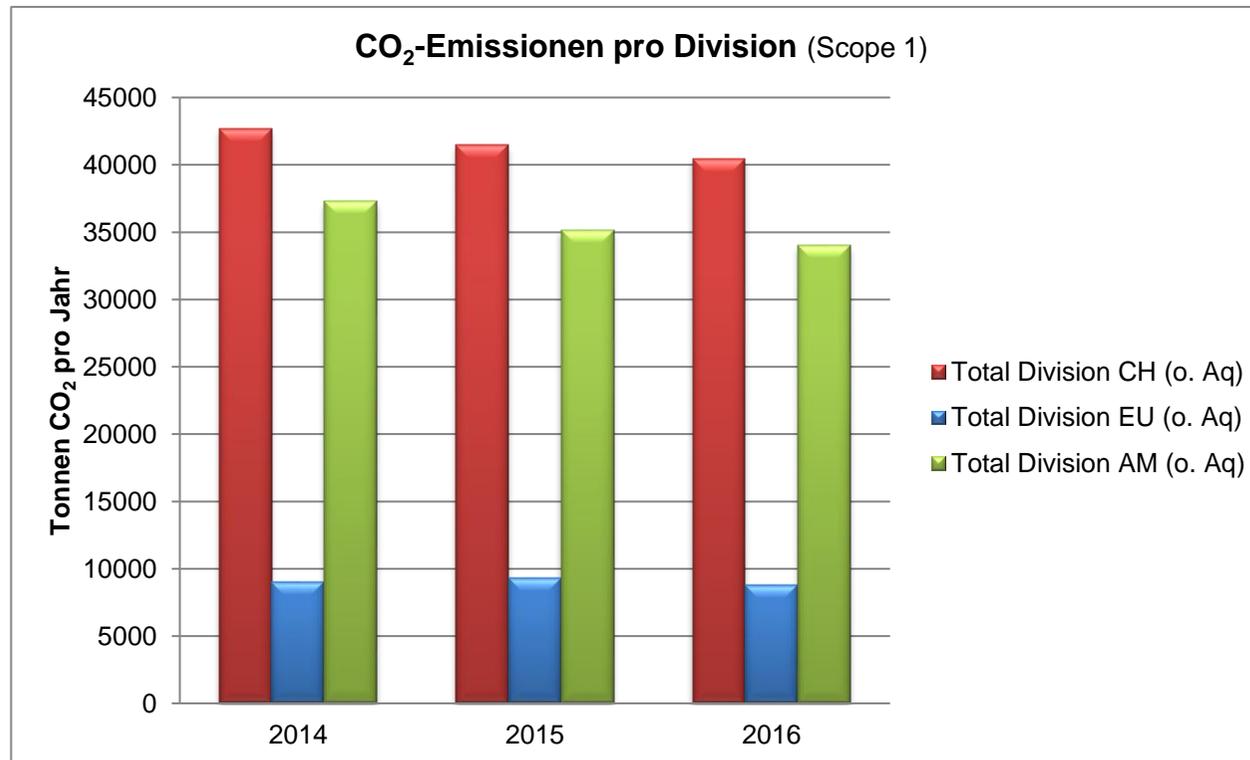
The following projects/measures are currently in the pipeline:

- 2017: Energy analysis at Centrale Laitière de Mahdia (Vitalait, Tunisia).
- 2018: Switchover to 100 % electricity from hydropower for European sites
→ annual CO₂ reduction of 15,000 tonnes
- 2019 approx.: Switchover of another major Swiss production site to an alternative energy source

Indicator: EN15 – Direct greenhouse gas (GHG) emissions (Scope 1)

Across all divisions, the global Scope 1 CO₂ emissions of all Emmi sites amounted to around 83,000 tonnes⁹ CO₂ equivalent¹⁰ in 2016. 78 % are attributable to fuel consumption.

At around 40,000 tonnes of CO₂, the Swiss sites are the greatest contributors of CO₂ emissions overall. This is hardly surprising given their higher production volumes. The Americas Division (sites in the US, Tunisia and Spain) produces just under 35,000 tonnes of CO₂, while the Europe Division, whose sites are located primarily in Italy, Germany and the Netherlands, produces significantly less (around 12,000 tonnes).



⁹ Emissions resulting from coolants also fall within Scope 1 but are not yet included in our figures.

¹⁰ Adjusted for acquisitions, absolute



Emmi is supporting the following **flagship project** within the focus issue «Greenhouse gases»:

- AgroCleanTech

Energy and climate protection agency for agriculture.

→ *more on AgroCleanTech*: <http://www.agrocleantech.ch/de/> (German/French)

→ *more on the focus area «Greenhouse gases»*: [SR 3](#): p. 9 / www.emmi.com/sustainability

Category: Environmental - material aspect: Wastewater and waste



Waste is always present in a process if no added value is created when something is used. Emmi avoids waste through “Emmi Operational Excellence” (EOE), which has been an ongoing task for all employees at Emmi’s production sites for many years.



From a sustainability perspective, two waste issues have particular relevance for Emmi and its stakeholder groups: packaging and food. Emmi has set itself the target of reducing waste in both of these areas by 20 % by 2020 und Lebensmittel. In beiden Bereichen hat sich Emmi zum Ziel gesetzt, die Verschwendung bis 2020 um jeweils 20 % zu reduzieren.

G4-DMA (Disclosures on Management Approach)

Starting point

Thanks to EOE, avoiding waste has been a high priority at Emmi’s Swiss sites for years, and signs of the initiative in operation can be found everywhere. The gradual introduction of EOE at the Group’s international sites will lay the foundations for reducing packaging and food waste (especially ingredients) in these locations as well.



Increase proportion of sustainable packaging materials



Reduce volume of packaging materials and ingredients wasted during production



Do not throw away any consumable foods

cont. G4-DMA (Management Approach for material aspect Wastewater and waste)

G4-DMA: Management approach for waste in general

Waste is currently dealt with in varying ways across Emmi's sites. While the ISO 14001-certified sites in Switzerland have operated a targeted and meaningful system of waste management for many years, many international sites lack fundamental waste data since this issue has no or only minor relevance for the operational management of the company (due to the regulatory environment).

Step 1: Define key indicators for waste monitoring and roll these out across the board

From 2017 all sites belonging to the Emmi Group must keep detailed records of their waste volumes by type of waste and disposal method. With regard to food loss, Emmi bases its practice on the newly created Food Loss and Waste Accounting and Reporting Standard (FLW Standard).

G4-DMA: Management approach for Food Waste

Step 1: Groundwork on food waste

Food waste has become a widespread term in recent years. The approximate proportion of food wasted in affluent Western countries is relatively well known. In Switzerland (and similar countries), for example, it is estimated that roughly one-third of all food (some 2.3 million tonnes) goes to waste. The main culprits when it comes to food waste are unquestionably private households (around 45%). For processors, the figure is currently put at 30%¹¹.

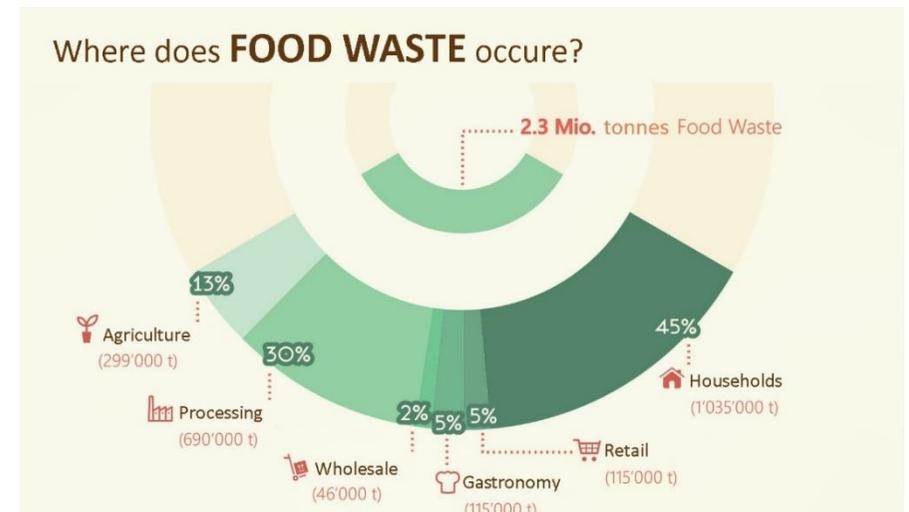


Figure 15: Source: foodwaste.ch

¹¹ Source: <http://foodwaste.ch/was-ist-food-waste/> (German/French)

cont. G4-DMA (Management Approach for material aspect Wastewater and waste)

Emmi has halved waste at its Swiss sites over the last ten years. Emmi's factory shops – where products with small defects or insufficient remaining shelf lives are sold at discounted prices – and product donations to charitable organisations also contribute to this result.

An important step in this groundwork was clarifying what the term food waste actually means. Everything that is not used for human consumption is considered to be food waste. Emmi also applies this definition, although reuse as animal feed is treated separately due to the economic aspects to ensure that the focus of the measures is not skewed. While by-products such as whey and buttermilk would in fact be fit for human consumption, there is very little demand for these products in Switzerland. In animal feed, however, whey and buttermilk are extremely valuable and thus in demand. The task here is to weigh up whether food waste – in the form of animal feed – should be preferred over the often economically and environmentally nonsensical export of whey and buttermilk, or whether there are alternatives.

As a result, Emmi does not believe that the generally assumed proportion of one-third waste is applicable to its Swiss sites. To back up this assumption with facts, food loss at two representative Emmi production sites (Dagmersellen and Landquart) was studied in 2015 as part of a Master's thesis at the Zurich University of Applied Sciences (ZHAW)¹².

The ZHAW investigations revealed an average food loss of 8.3 % across the four milk processing sites investigated (two of which were Emmi sites), of which only 0.2 % related to unavoidable losses¹³. Half of all losses at these sites are due to whey. Losses via process wastewater account for 39 %. Just over half (54 %) of all losses are reprocessed as animal feed. 40 % flow to the wastewater treatment plant and 6 % are fermented or burned. The investigations found that the losses are primarily due to process-related reasons and only attributable to a minor extent to human error.

Step 2: Recording waste in a targeted and comprehensive manner

Through its work with ZHAW, Emmi gained important insights regarding the future monitoring of food losses at its sites. For example, the process developed for recording losses will be applied at all Swiss sites in the future.

Thanks to the introduction of SAP as the ERP system in 2016, Emmi is now able to generate timely and in-depth key indicators at its Swiss sites, enabling it to drive the reduction of food waste in an extremely targeted fashion.

As soon as the monitoring system has been established in Switzerland, it will also be rolled out to international production sites in order of relevance. In the meantime, project-based initiatives are being carried out at international sites. This means that obvious food waste will be reduced through targeted projects and the impact of these measures measured.

¹² <https://www.zhaw.ch/storage/lsfm/studium/bachelor/lebensmitteltechnologie/lebensmitteltechnologie-abschlussarbeiten-2015.pdf> (German)

¹³ Unavoidable food waste includes all non-edible components of food such as peelings, bones and cheese rinds as well as waste that cannot be avoided. This includes, for example, potatoes which are infected by a pathogen despite being stored under proper conditions. (Source: foodwaste.ch)

G4-DMA: Management approach for packaging

Step 1: Formulating the basic approach

In line with the One Planet approach, Emmi aims to reduce the use of packaging materials as far as practicable and make greater use of renewable materials which can be reintegrated into the cycle.

Given the huge importance of petroleum-based materials as food packaging, Emmi is in the process of drawing up guidelines on the use of plastics as packaging material. These guidelines will be continually updated to reflect current knowledge.

When making any optimisations, we are mindful of the fact that an important function of food packaging is product and transport protection. This means that what may at first glance appear to be excessive packaging – especially from the layperson's perspective – may in fact be more sustainable in the long run.

Step 2:

Implementing the basic approach:

- Efficient use of packaging materials in operations (minimising loss)
- New technologies and materials taking into account the basic approach developed

Indicator: EN23 – Total weight of waste by type and disposal method

Meaningful information on the waste generated by the Emmi Group as a whole is scheduled to be available for the first time at the beginning of 2018.

Emmi's production sites in Switzerland have been operating a professional waste management system that is in accordance with the ISO 14001 guidelines for many years. This also includes detailed waste monitoring. This shows that over the last eight years the waste volume has been reduced by more than half.

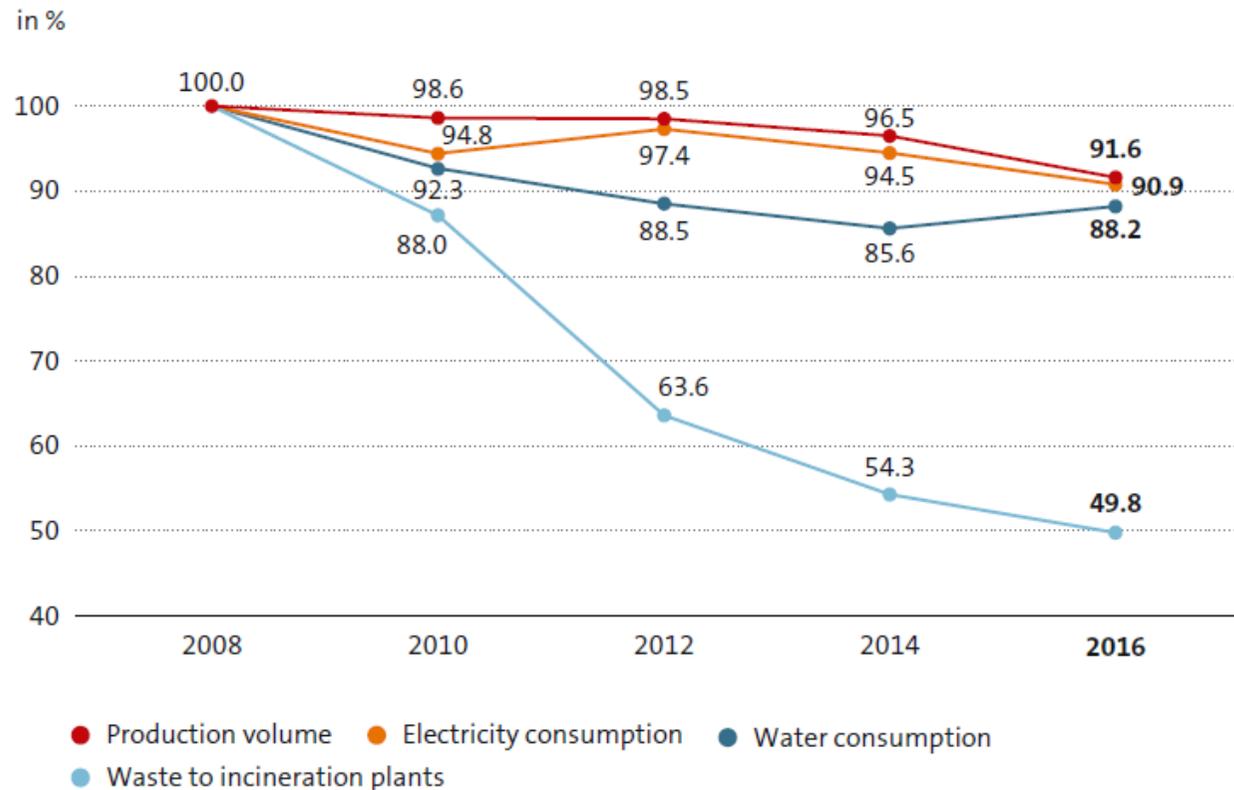


Figure 16: Environmental index Emmi in Switzerland (2008 - 2016).

→ more about the focus area «waste reduction»: [SR 3: p. 10](#) / www.emmi.com/sustainability

Category: Social – sub-category: Labor practices and decent work – Material aspect: Training and education



As an internationally successful milk processor, Emmi needs a wide range of technical skills. Its employees and their wide-ranging skills and abilities are thus a key factor in the company's success. Human resources is therefore accorded high importance. To counteract the lack of skilled personnel in many countries, Emmi invests a great deal in the training and ongoing education of its staff.

100% supported employees

Employee development is part of regular human resources management. The decisions within this focus issue are not made within the sustainability organisation. At the strategic level this is overseen centrally from the company's headquarters in Switzerland. The strategic areas of focus in this area apply globally to all Emmi Group companies.

One of the fundamental objectives is the integration of all employees into development processes. For example, by 2020 all employees are to have personal development targets.

It is also vital for Emmi's future success that key positions globally are filled with the best possible talents. Since in-depth knowledge of the company can be crucial, by 2020 half of all vacancies for key positions are to be filled with internal candidates.

G4-DMA (Disclosures on Management Approach)

Strategic priorities

International growth calls for stronger global human resources processes, management of cultural work aspects and increased demand for foreign language skills. Management has to align local and global requirements and foster integration by strengthening cohesion and solidarity throughout the Group. As an employer, Emmi faces calls for sustainable employee management, societal changes such as the desire for new working models, diversity and a shortage of labour, especially in Switzerland.

cont. G4-DMA (Management Approach for material aspect Training and education)

Emmi's central Human Resources Management function has formulated strategic priorities for international human resources work up to 2020. Two of these relate to employee development:

- Focus on objectives: The company is managed systematically through ambitious and coordinated objectives relating to performance, conduct and development. A consistent objectives system is implemented including transparency in terms of setting, achieving and assessing objectives.
- Skills management: Emmi ensures that the required skills are in place at management level through overarching global talent and succession management. Internal development programmes focus on management and business-critical, specialist skills. Intercultural skills are also to be strengthened.

Indicator: LA10 – Programs for skills management and lifelong learning

At present, only management training is organised centrally within the Emmi Group. This is to ensure that managers at all sites have the same understanding of their function.

Emmi's development concept prescribes a ratio of 70:20:10. This means that 70 % of personnel development should take place “on the job”, 20 % through active feedback and dialogue, and 10 % by attending training courses. The training and ongoing education opportunities in the various companies within the Emmi Group are aligned to their needs.

DEVELOPMENT MEASURES

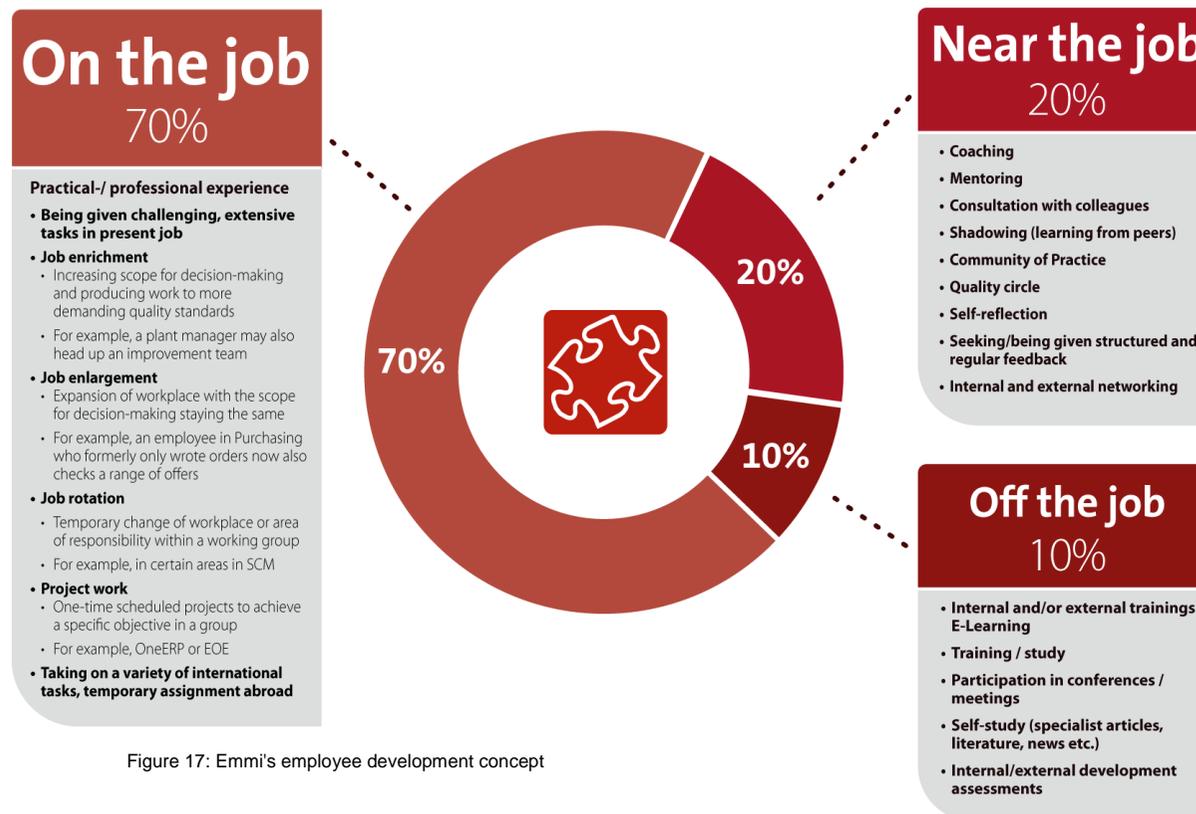


Figure 17: Emmi's employee development concept

cont. G4-LA10 (Programs for skills management and lifelong learning)

Emmi in Switzerland

Emmi's (predominantly internal) development offering in Switzerland comprises around 100 courses. The main areas of focus are specialist and methodological skills, social skills, entrepreneurial skills and personal skills.

Chile

Some 200 employees complete an internal or external training course each year.

Emmi companies in Italy

Italian dessert manufacturers A-27 and Rachelli have their own professional training offering focusing on production-related issues (e.g. food safety).

Tunisia

At Centrale Laitière de Mahdia, around half of the employees attended an internal training course in 2016.

Miscellaneous

Smaller companies (e.g. Emmi Germany, Emmi Austria, Emmi Benelux) do not have their own training offering. The training courses completed by employees tend to be business or language-related.

Indicator: LA11 – Percentage of employees receiving regular performance and career development reviews

In 2016 around 75 % of Emmi Group employees had a personal objectives agreement.

There is currently no formal requirement for all Emmi Group employees to receive a personal objectives agreement.

Emmi Group companies whose employees receive a specific and individual objectives agreement:

- Chile: All employees
- Germany:
 - o Emmi Germany: Yes
 - o Gläserne Molkerei: From 2017
- France: All employees
- UK: All employees
- Italy:
 - o A-27: Management only
 - o Rachelli: All employees
- Canada:
 - o Emmi Canada: Management and Sales
 - o SCM Canada: All employees
- Netherlands:
 - o AVH Dairy: No objectives agreements
 - o Bettinehoeve: All employees
 - o Emmi Benelux: All employees
- Austria: All employees
- Switzerland: All employees
- Spain: Only at management level (and some Sales staff)
- Tunisia: No objectives agreements
- US:
 - o Cowgirl Creamery: All employees
 - o Cypress Grove: All employees
 - o Redwood Hill Farm & Creamery: Management only
 - o Emmi Roth USA

- → more about the focus area «employee development»: [SR 3](#): p. 12 / www.emmi.com/sustainability