



Skanem Corporate Social Responsibility 2016 Report

Corporate Social Responsibility

In the Business Strategy we have formulated the following strategic intent:

- Further foster behaviours supporting our Skanem Code of Conduct
- Develop our business to industry accepted CSR & Quality standards
- Reduce our environmental impact by 30 % by end 2020.

CSR Organisation

The CSR overall accountable and owner of the Skanem Code of Conduct is our President & CEO, Ole Rugland. The group responsible is EVP Organisation, HR & CSR, Endre L. Lovas at HQ. In addition we have Site Managers and local CSR contacts at all sites.

Skanem Code of Conduct

The Skanem Code of Conduct and the corresponding principles were revised in 2017 to the version 1.5.

CSR Supply Chain participation

All Skanem companies are registered on Sedex with individual registration and self-assessments. 21 customers are following us on Sedex. In addition Skanem is registered on Ecovadis. This is followed by 22 customers. Our 2017 rating is improved to 58 points and silver rating.

Several audits have either been self initiated or initiated by customers.

We also ask our suppliers to sign the Skanem Supplier Code of Conduct.

CSR Reporting

We split the report in Environmental, HSE & People Reporting.

CEMASys is the reporting system for environmental data and also for some of the HSE & People reporting.

Skanem established an online Whistleblower channel in 2017, operated by PWC. No whistleblower concerns have been reported to date.

Skanem Employees

By end of 2016 the Skanem Group has **1080** employees world wide. Of these 613 are in Europe and 467 in Asia/Africa. There are 2,2 % more employees than in 2015. The growth has mainly come in Asia & Africa. 79 % of the workforce is men and 21 % females, which is about the same ratio as in 2015. **24,6** % of our managers are females, which is slightly higher than in 2015 (24 %).

Sick leave

Total Sick leave % in 2016 was **3,71 %**, which is higher than in 2015 (3,33 %). **Short term sick leave** was in 2016 on average (weighted against number of employees) **2,40 %** which is unfortunately higher than in 2015 (1,93 %).



	Short Term Sick-Leave % *						
	2010	2011	2012	2013	2014	2015	2016
Average	3,50 %	3,10 %	2,41 %	2,49 %	2,33 %	1,93 %	2,40 %
* Weighted average, no of employees							

Long term sick leave is still low in Skanem (1,41 %) and same as in 2015.

Employee Engagement

Skanem measure employee engagement through a Skanem people survey done in all countries for all employees yearly. 2016 has seen a marginal drop in employee engagement to **51 %** (from 52 %). 2016 was a year with major restructuring in Europe, so the main drop in engagement is in Europe with a net increase in Asia/Africa.

Employee Engagement & Satisfaction			
	2014	2015	2016
Engagement %	54 %	52 %	51 %
Satisfaction Index	5,25	5,09	4,16

The drop in Engagement and satisfaction is now addressed as a Skanem KPI and improvement project.

Safety

In 2016 we had **28** lost time people injuries at our factories against 26 in 2015. We are calculating the lost time Injury Rate (IR) which is a common measure (we report this in e.g. Ecovadis). The IR score in 2016 is 2,82 This is still fairly low, but unfortunately higher than in 2015 (2,35).

	Injury Rate *						
	2010	2011	2012	2013	2014	2015	2016
IR	2,57	2,9	3,59	3,25	3,76	2,35	2,82
Lost Days	287	250	455	229	603	166	221
* IR = # of incidents * 200000/total hours worked							

The 28 lost time incidents lead to a total of 221 lost days, varying from ½ day and back next day to the longest of 40 days. None of the injuries were fatalities and most of them were minor.

Another measure frequently used and reported in EcoVadis is Lost Day Rate (LDR) which is number of lost days against time worked.

	Lost Day Rate *						
	2010	2011	2012	2013	2014	2015	2016
LDR	28,4	26,7	36,6	19,1	51,8	15,0	22,2
* LDR = # of lost days * 200000/total hours worked							

The LDR in 2016 was **22,2** against 15 in 2015, so higher.

Ethical status

There were none reported ethical incidents in Skanem in 2016.

Environmental Footprint

Skanem has a corporate target to reduce our environmental footprint with 30 % by year 2020.

We have for years participated in the Carbon Disclosure Project (CDP). We are reviewed by an external independent third party: CO2Focus to ensure our reporting follows CDP and environment and sustainability related requirements of the GRI standard. Our 2016 reporting is verified and was done in accordance with ISAE 3000 standard.

Skanem can actively influence all scopes 1 – 3, so we have decided to define an intensity target covering all three scopes based on total emissions per million m² produced:

- **By 2020, our total operational emissions in scopes 1, 2 & 3 tCO₂e per million m² produced will be reduced by 30 %**

Emissions, Energy & Consumption data

Skanem's environmental impact is reported at every Skanem site worldwide.

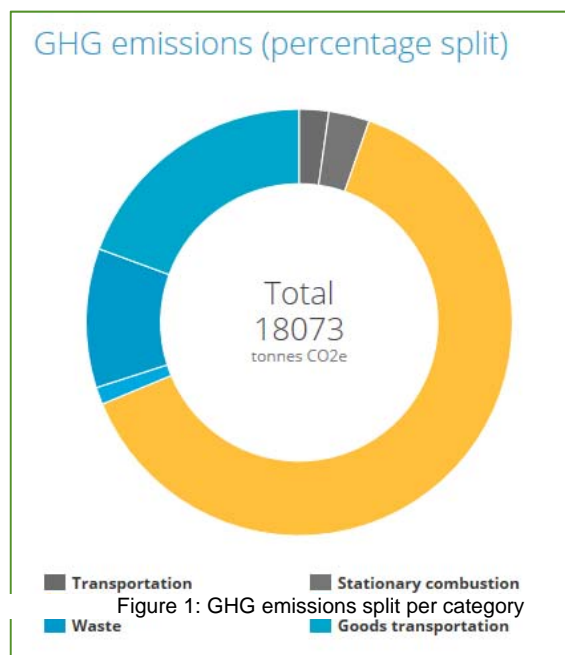
Figure 1 shows the reported data from 2015 broken down into key elements.

The absolute tonnes of CO₂e is 18 073 in 2016, which is a very small increase from 2015.

The detailed report (in Cemasis and reported in CDP) covers all emission elements, all Skanem sites and countries (see Appendix 1 for the country report).

The data collection was done as a total group for the first time in 2013, and we regard 2014 as the base year.

The biggest contributor is energy consumption related to electricity, heating and production at sites.



In real energy consumption we used:

- 4 547 MWh in Scope 1 (1,6 % more than 2015), and
- 24 443 MWh in Scope 2 (2,0 % more than 2015).

The key data over the last three years are as follows:



Figure 2: Skanem emissions (tCO₂e) last 3 years per key area. 2014 is base year for YoY change

Skanem delivers labels to > 100 countries, so in addition to energy used for production; transport & logistics is a significant share of the overall emissions.

The key 2016 KPIs look like this:

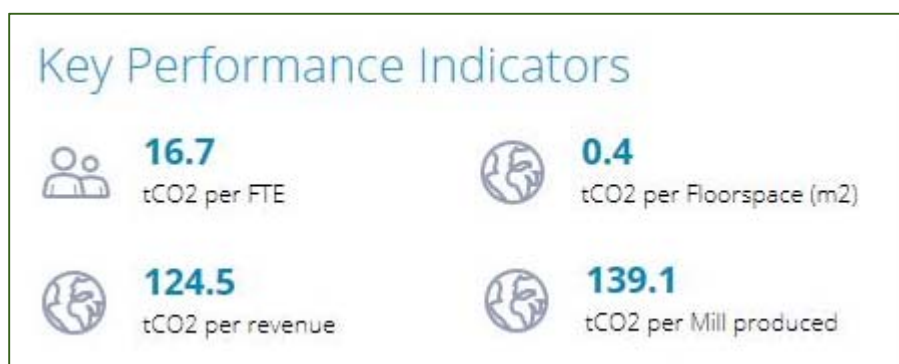


Figure 3: 2016 emissions KPIs

The target KPI: tCO₂ per Mill produced is down, and has now been reduced 14,8 % from base the year of 2014.

GHG Yearly Target KPI report for Skanem

Year	Absolute Scope 1 & 2	Absolute Scope 1, 2 & 3	KPI: tCO ₂ e per mill m ² (Scopes 1 - 3)	% Change (since 2014)
2014	12 941,0	20 377,4	163,3 ⁱ	Baseline
2015	12 354,9	17 913,5	140,9	
2016	12 382,2	18 073,0	139,1	-14,8 %

Other KPIs:

Year	tCO ₂ per FTE	tCO ₂ per revenue	tCO ₂ per Floorspace	tCO ₂ per Business Travel/FTE
2014	19,2	136,1	0,5	0,289
2015	17,0	120,0	0,4	0,288
2016	16,7	124,5	0,4	0,258

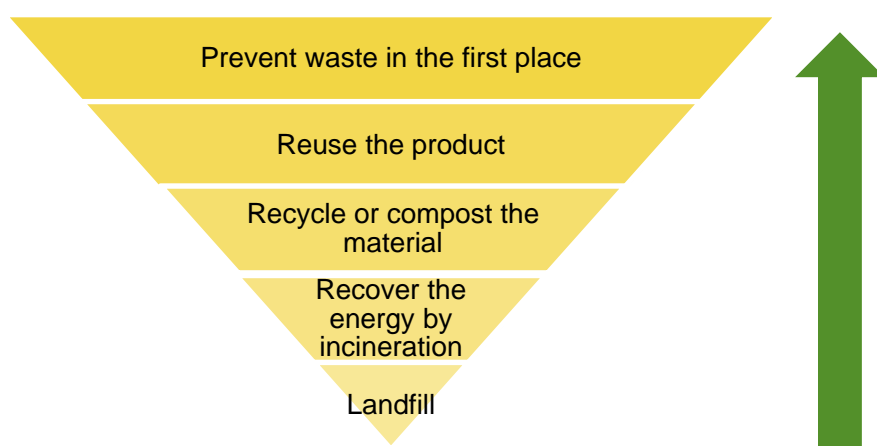
Emission saving projects

Many of our sites have been working on projects to reduce environmental footprint. Examples of projects are:

- Replacing light bulbs to energy saving ones (LED) - (Scope 2)
- Light & heat reduction systems (Scope 2)
- Replacement of UV lamps for drying (Scope 2)
- Repairing buildings for temperature leakage (Scope 2)
- Reduction of landfill waste (Scope 3)
- Recycling waste projects (Scope 3)

Most of these projects have a pay back time of < 1 year. Some of these had direct impact in 2016, whilst others will have further impact in 2017.

Within waste handling we have made progress with moving from landfill waste and up the footprint pyramid:



Since 2014 the waste to landfill has been reduced by 75 %, and now represents less than 5 % of the waste handling.

The work on environmental impact continues in 2017 and for years to come.

Endre L. Lovas
Executive Vice President Organisation, HR & CSR
Skanem AS

6th of August 2017



Appendix 1: Country detailed report

Emission Country report for Skanem - Year 2016

Key Figures GHG Emissions - Scopes & countries

Category	Unit	Denmark	Poland	Sweden	India	Norway	Kenya	Thailand	Germany	UK	Total	YoY %
Scope 1												
Transportation Total	tCO2e	29,5	30	16,7	230,9	4	72,1	1,8	13,1	6,4	405	-12,3 %
Stationary combustion Total	tCO2e	164,5	236,7	0	0	0	0	0	79,7	73,7	555	4,6 %
Scope 1 total	tCO2e	194	266,8	16,7	230,9	4	72,1	1,8	92,8	80,1	959	-3,2 %
Scope 2												
District Heating Total	tCO2e	0	0	0	0	0,7	0	0	0	0	1	40,0 %
Electricity* Total	tCO2e	87,1	3077,3	169,1	3403,1	74,3	242,9	1335,2	688	2345,5	11 422	0,5 %
Scope 2 total	tCO2e	87,1	3077,3	169,1	3403,1	75	242,9	1335,2	688	2345,5	11 423	0,5 %
Scope 3												
Goods transportation Total	tCO2e	377,4	313,3	520,7	740,6	160,9	3,6	673,8	246,5	455,1	3 492	3,1 %
Commuting Total	tCO2e	0	0	0	3,7	0	5,6	0	0	0	9	-82,1 %
Business travel Total	tCO2e	0	18,5	1	0	2,5	0,1	0	0,1	4,2	26	-43,3 %
Air travel Total	tCO2e	12,6	10	16	29,7	61,7	70	11,5	3,5	20,4	236	-9,2 %
Waste Total	tCO2e	369,2	134,7	385,5	31,1	215	56,6	9,2	207,6	492,2	1 901	6,0 %
Scope 3 total	tCO2e	760,5	479,6	927,8	812,7	440,5	136,7	700,2	458,4	974,5	5 691	2,4 %
Total Emissions 2016	tCO2e	1 041,5	3823,6	1 113,6	4 446,7	519,5	451,6	2 037,1	1 239,2	3 400,1	18 073	0,9 %

Key Figures Energy - Scopes 1 & 2 - countries

Category	Unit	Denmark	Poland	Sweden	India	Norway	Kenya	Thailand	Germany	UK	Total	YoY %
Scope 1												
Transportation Total	MWh	121,5	123,3	67,9	918,2	16,2	293,1	7,2	52	25,4	1 625	-19,8 %
Stationary combustion Total	MWh	801,4	1286,6	0	0	0	0	0	433,4	400,4	2 922	12,7 %
Scope 1 total	MWh	922,9	1409,8	67,9	918,2	16,2	293,1	7,2	485,4	425,8	4 547	-1,6 %
Scope 2												
District Heating Total	MWh	0	0	0	0	69,3	0	0	0	0	69	7,8 %
Electricity* Total	MWh	1555	4017,3	3019,4	4227,4	1326,8	1079,3	2557,8	1424,4	5166,2	24 374	2,0 %
Scope 2 total	MWh	1555	4017,3	3019,4	4227,4	1396	1079,3	2557,8	1424,4	5166,2	24 443	2,0 %
Total	MWh	2477,9	5427,2	3087,3	5145,6	1412,2	1372,4	2565	1909,8	5592	28 989	1,4 %

Appendix 2:

Producing sites - trends on key KPI:

KPI: Site emissions (tCO₂e) per mill m² produced					
Skanem Site	2013	2014	2015	2016	YoY 2014 base
Stavanger	122,5	61,6	54,4	51	-17,2 %
Skurup	100,6	88,8	80,5	85,7	-3,5 %
Hobro	113,6	98,3	88,2	81,8	-16,8 %
Willich	104,4	118	152,8	140,8	19,3 %
Durham	114,8	103	103,7	100,2	-2,7 %
Liverpool	75,8	80,9	84,3	70,4	-13,0 %
Cardiff	143,3	139,8	129,1	142,5	1,9 %
Poznan	182,6	177,2	169,4	183,8	3,7 %
Nairobi	56	54,2	56,2	58,7	8,3 %
Baddi	156,8	235	217,1	183,7	-21,8 %
Mumbai	250,8	530,9	322,3	304,3	-42,7 %
Kolkata	nn	318,7	286	292	-8,4 %
Bangkok	665,8	403,1	353,1	384,4	-4,6 %
TOTAL SKANEM	162,3	163,3	140,9	139,1	-14,8 %

ⁱ A report error was corrected for 2014 base calculation – hence deviation from 2016 report