

midsona



This is our **Communication on Progress** in implementing the principles of the **United Nations Global Compact**.

We welcome feedback on its contents.

STATEMENT OF CONTINUED SUPPORT

Midsona is a leading player in the health and well-being business in the Nordic countries and Germany and our Code of Conduct clearly states that Midsona shall be a responsible company. In practice, this means that our business partners, customers, consumers and owners can rely on us and our products. It also means that all matters relating to environment, working environment and human rights shall be handled in a responsible manner and that we always shall practice ethical business methods.

Midsona joined UN Global Compact in April 2011 and this is our 8th Statement and Communication. Through this sustainability report, we express our continued support and we will continue to enact the ten principles of the UN Global Compact initiative in 2019/2020. This commitment also implies that we shall continuously evaluate the ten principles with regard to our conduct and performance in all parts of our businesses.

We recognize that a key requirement for participation in the Global Compact initiative is the annual submissions of a Communication in Progress. We support public accountability and transparency and therefore commit to report on progress annually according to the Global Compact COP policy.

Malmö, Sweden, 2 May 2019

MIDSONA AB (publ)


Peter Åsberg
CEO

Sustainability report

Helping people achieve a healthier life

What we choose to eat and how the food is produced is crucial to human health and the health of the planet. The food industry has long been operated in a way that has meant that it became a threat to the environment and our choices of food impact public health negatively. Nearly everyone is aware of this, but there is sometimes confusion and uncertainty among consumers about what food is best for them.

Midsona's solution to the problems is driven by the mission to help people live a healthy life. Continuing to develop products that help people feel good and be able to live a good life, and at the same time contributing to a greater insight into the value of commitment to the raw materials' origins, what the food contains and what a balanced diet means for body and environment is our contribution to a healthier planet.

Mission

We help people achieve a healthier life.

Why we believe in organic and plant-based products

More and more studies indicate the significance of food and they all point in the same direction – we people have to eat less meat and more plant-based food and production conditions must become more sustainable¹. And it is precisely this that is happening. People's interest in health and well-being is growing, the interest in sustainability and environmental consideration is growing and especially people's consideration of animals is growing, which means that more and more people are choosing a more plant-based diet.

Plant-based food is good for the environment, it requires less land area, water and energy, while the production of animal food is resource intensive and the greenhouse gases that the meat and dairy industry generates affects the environment in the same way as cars, trains, boats and air planes.

The consumers demand organic and plant-based food and it is here that Midsona can be involved and help – by continuing to create and develop products that help people live a healthy life.

¹ National Food Agency



Midsona's prioritised organic focus brands are Urtekram, Kung Markatta, Helios and Davert, but we also have several other proprietary brands, such as Friggs, Dalblads, Naturdiet, Eskimo-3, Kanjang, and Miwana/Renässans. As a complement, we sell high-quality brands from various clients, including Compeed, Probi and Blutsaft.



Plant-based, organic and sustainable

The foundation of Midsona's business rests on strong trends around the growing interest in health and well-being combined with a clear desire for sustainable consumption – a paradigm shift where people increasingly avoid animal products, unnecessary additives and products with poor nutritional content. Midsona's focus on plant-based, pure and organic products is benefited by these trends. We have a great passion for influencing people's eating habits towards healthy and sustainable alternatives.

Midsona has in recent years structured the Group's sustainability work based on targets. This resulted in us now focusing the work on three areas: promoting a healthy lifestyle, safe products and quality and sustainable use of resources. There are six aspects for sustainable development linked to the three areas. The three areas will continuously be revised so that we focus on issues that are relevant to the Group and to our stakeholders.

More concrete steps for our sustainability work

In 2018, our sustainability work was further strengthened. We now have a good structure and measurements so that we can see annual improvements. We carried out a transport procurement that means that we use increasingly environmentally friendly transports. And we continuously develop new products to make them even healthier.

Moving ahead, the sustainability work will become increasingly important for Midsona and for all of our stakeholders. On the following pages, you can read about our sustainability perspective and what we achieved in 2018 in more detail.

Peter Åsberg
President and CEO

In-depth sustainability work

Midsona began to work with sustainability in a more structured way in 2016 and the Group has since taken major strides even if sustainability has always been important for Midsona. Strategies have been developed, focus areas have been identified and sustainability has increasingly become a central part of a Midsona's business.

Our sustainable strategy

For Midsona, the consumers are the focus. The company's products are a part of our daily lives and especially well-being. The consumers' – and other stakeholders' – perspectives and views of sustainability efforts have therefore, together with the sustainability profile of the company's brands, been a cornerstone in Midsona's sustainability work.

Midsona's sustainability strategy is based on the company's mission to help people live a healthy life. What a healthy life means is of course individual, but Midsona's interpretation is that it is about feeling good and being able to live a good life without risking future generations' possibilities of doing the same.

Our sustainability strategy is based on what we are best at, namely:

- Understanding our consumers and being in phase with their needs.
- Having the best knowledge about health and about the central role that food plays in our daily well-being.
- Cooperating with our suppliers through the entire value chain and being able to require them to act in a sustainable way.

Through the strategy, we are gradually advancing towards a more sustainable Midsona, where we always strive to help our stakeholders live a healthy life, by developing products and solutions that – in addition to being functional and having a positive financial impact – are good for both people and the environment. Step by step, we are incorporating sustainability in every part of Midsona's operations.

Our approach

Reporting

The framework for Midsona's sustainability report is based on the Global Reporting Initiative (GRI) framework.

In 2018, Midsona began using a reporting platform, Position Green, to be able to report results and advances more systematically. The platform also provides an opportunity to set goals and make comparisons to be able to continue working internally with the sustainability work.

Stakeholders

Midsona communicates with its stakeholders in many different forms and for the company, it is important to understand the stakeholders. Midsona has had several contacts with key stakeholders to find out what areas they think are the most important and if they feel Midsona's sustainability efforts are headed in the right direction. Such contacts can, for example, be customer surveys, personal meetings, supplier evaluations, employee surveys, share investor meetings and social media in particular.

Groups that we have mutual relationships with and that have influence at Midsona regarding sustainability

Our stakeholders	How we have created value	How we engage our stakeholders
Employees	A good work environment, health, satisfaction, development opportunities, fair wages, benefits	Personal meetings, development talks, employee surveys, intranet, union organisations
Customers	By supporting our customers in their sustainability work towards their customers, such as by developing sustainable packaging that affects several aspects, such as quality, storage and transport possibilities.	Personal meetings, discussions with quality managers at our customers, customer conferences
Consumers	Accurate product information and certifications so the consumer can make well-informed choices. Anyone who chooses our products shall know that they at the same time are contributing to good conditions in areas, such as human/labour law, business ethics and animal husbandry.	Consumer surveys, traditional customer contacts, social media, influencers
Suppliers	Through the Group's Supplier Code of Conduct that the suppliers must sign, Midsona has gained more opportunities to clarify for the suppliers our expectations on their work based on quality, safety and sustainability perspectives. The aim is to ensure the right deliveries and sustainable development for both parties.	Supplier Code of Conduct, personal meetings and continuous dialogue in e.g. purchasing negotiations
Shareholders including investors*	Through credible sustainability work, the image of Midsona is presented at a reliable company with products that are safer and of better quality, which leads to better business opportunities.	Financial reports, General Meetings of Shareholders, investor meetings, share investor meetings, the website, press releases
Society	As a company, Midsona takes a responsibility in society for measures that contribute to the fulfilment of national and global targets, such as by joining various initiatives, such as the UN Global Compact, the Plastic Initiative, the Transport Initiative or the Packaging and Newspaper Collection.	Annual reports to the UN Global Compact, follow-ups and reporting to the trade association DLF.

* Potential future shareholders.

Materiality analysis

Midsona bases its sustainability work on the global sustainable development goals adopted by the UN General Assembly in 2015. By working to achieve these goals, we also achieve a sustainable development in the various areas.

A materiality analysis was done in 2016 through several internal workshops and customer surveys and the results were weighed together with Midsona's view of sustainability, business strategy and competitive situation and then became the starting point for the upcoming work.

Midsona's work with the three focus areas

The results of the work with these analyses were that three overall focus areas were established, and six underlying aspects for sustainable development were linked to them.

Midsona focuses its sustainability work on these areas, which will regularly be reviewed to ensure that we work with issues that are relevant to the Group and our stakeholders.

Promoting a healthy lifestyle		Safe high-quality products		Sustainable use of resources	
					
Sustainable brands	Healthy work environment	Responsible sourcing	Safe products	Efficient resource use	Efficient transports
pages 58–62	pages 63–66	pages 67–68	page 69	pages 70–72	page 72

Promoting a healthy lifestyle

i This section addresses disclosures linked to Midsona's work with the sustainability areas *Personnel, Social conditions, Corruption and Respect for human rights* according to Chapter 6 Section 12 of the Annual Accounts Act.

Midsona produces and markets products that make it easier for people to live a healthy life and are sustainable for our planet. We believe in promoting a sound culture among our stakeholders, and we conduct extensive efforts within several areas to ensure that we practice what we preach.



Sustainable brands

Midsona has developed a thorough understanding of the role that diet and nutrition play in health and well-being. This knowledge-base determines the Group's strategic decisions regarding business acquisitions and other investments, while it also serves as the basis for innovation work and product development.

Sustainable brands are brands that are covered by all dimensions of sustainable development – financial, social and environmental. Midsona's prioritised organic focus brands are chosen based on their share of the total consolidated sales and the brands' development potential. In Sweden, Denmark, Norway, Finland and Germany, we represent leading brands, such as Urtekram, Kung Markatta, Davert and Helios. All four were early pioneers in organic food and continuously try to find new sustainable solutions and identify trends and products that live up to Midsona's requirements.

Under these brands, we launch products that take us in the right direction and we follow a sustainable process, where all innovations and changes of products will have the goal of meeting at least industry practice in relevant focus areas. For each brand, it is prioritised to work to secure a better sustainability through clear goals for product care and innovation.



Increased offering of plant-based and healthy food

What is sometimes called lifestyle diseases are the most common reason for illness in Sweden and the Nordic region¹ and the food people eat affects how they feel. This is a major health challenge that Midsona wants to be involved in handling by developing and launching products that help people live a healthy life at the same time that they do not harm the environment. It is about increasing the insight among people of the value of commitment for the raw materials origins, what the food contains and what a balanced diet means for the body and the environment. Our goal is to increase our offering of plant-based and/or organic food and we do so through a well-developed innovation process.

¹National Food Agency.

Innovation

The consumers demand healthy and natural products, such as plant-based food, organic food and hygiene products and products without additives. Midsona's innovation strategy is to increase the assortment of healthy products and, in 2018, Midsona took several initiatives to develop and market products that make it easier for people to live healthy

and are sustainable for our planet. In the innovation process, consideration was taken to the brands' sustainability plans, for example we reduced the amount of salt and refined sugar, developed healthier alternatives to some of the foods used in everyday cooking and developed more plant-based foods and more packaging that the consumers can recycle. During the year, there were several successful launches of products and packages that are organic and/or plant based.

Some of Midsona's most important launches in 2018

Launch	Brand	Country	Product category	Comment
Tempeh of fermented beans or peas	Kung Markatta	SE	Organic products	Organic and labelled with KRAV, the keyhole and the Å label
Vegomixes	Kung Markatta	SE	Organic products	Organic, vegan and Å labelled
Ketchup	Kung Markatta	SE	Organic products	KRAV
Hair oil	Urtekram	DK, SE, FI	Organic products	Organically certified according to Cosmos organic. Vegan, the content is 100 percent natural. Certified free from animal testing according to the Leaping Bunny Certification
Packaging hygiene products	Urtekram	DK, SE	Organic products	Plant-based packaging made of sugar cane waste from the food industry
Low sugar shakes and mealbars	Naturdietet	SE	Healthfoods	Low sugar content, high vitamin and mineral content Meets the National Food Agency's requirements on meal replacements for weight control
Corn cakes in portion packaging	Friggs	SE, FI	Healthfoods	Gluten-free
Snacks	Dalblads	SE	Healthfoods	Lower fat content and higher protein content than regular crisps in the product category
Bake mixes	Helios	NO	Organic products	Organic, gluten-free Debio- and Crossed Grain-labelled

Our work of developing and launching new healthy and sustainable products has been a contributing cause that our organic brands rank high on the Sustainable Brand Index™ list for the second consecutive year. In Denmark, Urtekram won the prestigious food category and came second in the collective assessment. Kung Markatta ranked 12th in the category for best food companies on the corresponding list in Sweden.

Sponsorship and social commitment

Midsona contributes further to promote a healthy lifestyle by being involved in various events to create social and environmental benefits. Sponsorship and commitment is governed by the Group's sponsorship policy and the choice of activity is made with Midsona's mission to help people to live a healthier life in mind. The choice shall also have an attractiveness among the Group's target groups and be able to increase the internal pride and commitment among Midsona's employees.



In 2018, two of the Group's brands were highly ranked on the Sustainable Brand Index™ list of sustainable brands. In Denmark, consumers voted Urtekram as the second most sustainable brand and, in Sweden, Kung Markatta came in 12th place.

Some of Midsona's activities in 2018

- The brand Dalblads was the chief sponsor of all of the races of the Nordic obstacle course run Toughest, where the competitors could try Dalblads' products at the finish line and where Midsona participated with its own team in Malmö.
- Eco Store of the Year – In Sweden, Midsona is the sponsor of the award Eco Store of the Year at the annual FMCG Retail Gala.
- Through the campaign #givingisthenewblack, Midsona donated 5 percent of Davert's sales on Black Friday to various educational projects for young people. The campaign shall be seen as an initiative for giving instead of consuming.
- In Sweden, the brand Dalblads supported Team Rynkeby with products. Team Rynkeby is part of a charity organisation that raises money for children with cancer and their families.
- Midsona donated products from the brands Kung Markatta and Alpro to the rescue efforts in the forest fires in Bergslagen in summer 2018.
- In Denmark, Midsona has for several years been one of the donors to the Fødevarerbank, an initiative that serves as a middleman for surplus food for the socially disadvantaged.



Through the German campaign #givingisthenewblack, Midsona has donated money to various educational projects for young people.

Creating financial growth

Midsona's goal is to understand our consumers' needs and be cost effective through close relationships to our suppliers.

If the Group grows, Midsona can help even more people to live a healthy life, such as by developing and launching more healthy products. In order for Midsona to in turn continue to be sustainable and understand the consumers' needs, and at the same time create financial growth, it is important that the product selection, communication and marketing strategy go hand in hand with being cost-effective. Midsona's strategy for achieving this is to:

- increase sales through successful launches and building our brand identity and recognition of our products
- be sustainable by combining short-term perspectives with long-term perspectives
- optimise our assortment.

Sustainable packaging

Sustainable product packaging is an important part of Midsona's work in the area of sustainable brands. Midsona wants to contribute to minimising the packaging's impact on the environment and the world's oceans and to increasing the degree of recycling by:

Increasing the amount of recyclable plastic in the products

The work of reducing the amount of waste among consumers and the impact our packaging has on the climate has resulted in changes in how Midsona's innovation teams work. When it is possible, recycled plastic shall always be used in our packages. This has been placed as an action point in the innovation teams' checklists. In 2019, the procedures shall be in place.

In Sweden, DLF launched the Plastic Initiative, to further drive the development of the plastic strategy that the European Commission initiated. Midsona Sweden has signed the initiative, which means that by 2022 all of the company's plastic packages must be able to be recycled.

During the year, Midsona developed a solution that means that the packages for

A majority of Urtekram's hygiene products are switching to packaging materials of sugar cane in 2019 – a sustainable alternative to conventional plastic.



hygiene products under the brand Urtekram can be 50–70 percent made of sugar cane, a sustainable alternative to conventional plastic. The material originates from sugar cane waste from the food industry. Midsona expects 85 percent of Urtekram’s hygiene products to switch packages in 2019. At the same time, the innovation work continues by finding an alternative that also means that the lids are strong enough and then the packages will be 100 percent plant based.

In 2018, the packages for Kung Markatta’s organic teas gradually became plastic free by the plastic film being removed.

Increasing the awareness of the consumers with messages and labels on the products

Every year, around 20 kilograms of edible food per person is thrown out in Sweden¹. Besides the cost aspect, it is bad for the environment. Midsona therefore wants to contribute to increasing the knowledge among consumers that the best-before date is not always the same as the product being inedible after this date. If the consumers themselves check the food, such as by smelling and tasting it, they will discover that most of it lasts significantly longer. Under the brands Helios and Supernature, Midsona has gradually added the label “best before, often good after” on the products in the second half of the year. The initiative will be implemented in more of Midsona’s brands.

¹National Food Agency.

Optimising the filling level

By filling the packages better, so that they contain as little air as possible, the amount of packaging materials and the amount of freight space decrease. This is both an environmental and a cost issue. Midsona’s goal is for all packaging to contain as little air as possible and considerable focus has therefore been placed on the project in 2018. At the beginning of 2019, the filling level will gradually be optimised in most of our newly developed products.

Kung Markatta's organic teas have been given plastic-free packaging.





Healthy work environment

In order to promote a healthy lifestyle for Midsona's stakeholders in a convincing manner, the company also needs to look at itself and work to help Midsona's employees to a healthier life. We do so by offering a good work environment, an inspiring corporate culture, health-promoting measures, collective agreements and a good leadership. For Midsona, health is not just a priority – it is one of our overall objectives in the Group. Midsona shall be a company that is permeated by health and that, based on the employees' own responsibility, can stimulate and give them the chance to have good health based on their own possibilities. This provides space for both personal initiatives and team building at the offices or the business areas, but some health measures are common, including fitness benefits, bicycles to borrow and massages.

This creates a good foundation for success and is above all a prerequisite for Midsona to be credible and able to keep and attract employees in the future. The responsibility for creating a good work environment with motivated employees rests with the respective business area. In 2018, a new position was created in the Group – HR Nordic – with the task of supporting the business areas in this work.

Motivated employees

Our employees being motivated is the basis for success and we will continue the work of making Midsona an even better and more attractive workplace by:

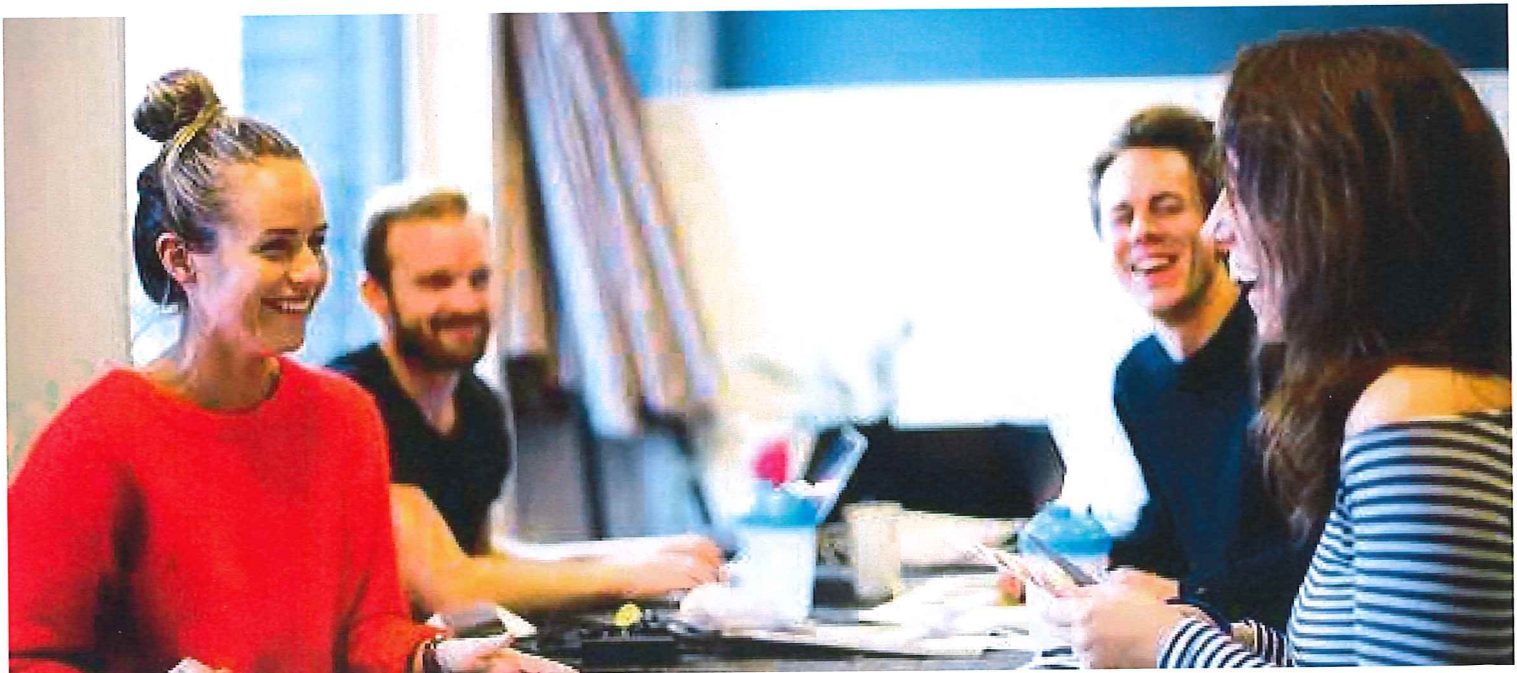
Ensuring our employees have a good balance between work and leisure

- Making health one of our overall objectives in the Group.
- Flexible workdays.
- Preventively helping our employees live a healthy life and reducing sickness absence by taking initiatives to and encouraging activities.

A balanced organisation with regard to gender

- Actively continuing to work with gender equality and diversity as a natural part of the operations, such as by reviewing the recruitment process, the working conditions and setting of salaries.

Employees from Midsona's office in Oslo.



Continued improvements

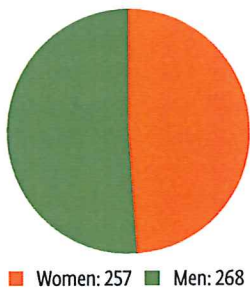
- Continuing to develop the work with employee talks and employee surveys to be able to even better capture the employee’s thoughts and wishes regarding the cooperative climate and the working environment.
- Encouraging a higher response frequency in employee surveys to capture areas of improvement.

Sickness absence as % per business area

	2014	2015	2016	2017	2018
Sweden	4.3	3.6	6.0	3.8	4.7
Norway	4.9	5.3	5.7	5.0	3.4
Finland	3.6	2.7	3.2	2.1	2.7
Denmark	-	4.1	4.5	5.7	8.4
Germany	-	-	-	-	6.2
Group	4.5	4.3	5.1	4.6	5.7

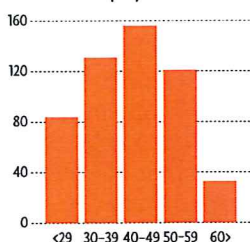
Gender distribution

On the balance sheet date.



Age structure

Number of employees.



Employee survey

The employee survey conducted during the year was completed by 83 percent of the employees. Among the criteria that received the highest marks by Midsona’s employees were work tasks, employee commitment and the Group’s management. In earlier employee surveys, internal information came up as a point for improvement. In this year’s employee survey, internal information showed the highest level of improvement of all areas. A majority of the respondents said that they are aware of and can explain Midsona’s vision and goals.

Balance leisure time/work was identified as an area for improvement and the focus areas for 2019 have already been identified. Health Focus 2019 was already started in Business Area Denmark, with health check-ups and particular focus on smoking and stress. The other business areas will work with these areas at their respective kick-off conferences in 2019.

Gender equality and diversity

Midsona has a relatively equal gender distribution with 49.0 percent women and 51.0 men in total in the Group, although a few work teams have a preponderance of one gender. Midsona works actively to improve the gender distribution by for example ensuring that the working conditions suit all employees, that instructions and criteria in setting salaries are fair, and that wages are mapped. Midsona also works to make it possible to combine work with parenthood and so that the company will look at the gender distribution in the recruiting work team in recruitment and, with equal competence among candidates, to recruit the under-represented gender.

As it is set out in Midsona’s diversity policy, Midsona values the dynamics that arise through differences and believes that diversity in all areas will make Midsona’s development even better, both at the individual level and in the teams. Midsona’s diversity plan encourages the workplaces to actively work for diversity in the organisation and to thereby better understand and be able to meet the consumers’ various needs and thereby improve the business opportunities.

The Board of Directors of Midsona also believes that diversity will have positive effects. The Board’s diversity policy states that it is important to promote diversity so



that appointments shall only be based on merit and to ensure that the Board possesses the required competence necessary for board work with regard to industry knowledge and experience of long-term strategy work.

Midsona prioritises its employees' health and safety. Here, Andreas Seel at Davert's production facility.

Safety at the workplace

Midsona's goal is that no employee will be injured at their workplace. This is achieved in part through prioritised and transparent work environment efforts with commitment from employees and in part through well-established procedures for risk assessment and systematic work environment efforts. During the year, safety committees were established at all workplaces in Sweden. Equivalents already exist in Denmark and Norway.

In 2018, Midsona had one case of a work-related injury, within Business Area Denmark.

Midsona's internal policies in work environment are communicated over the intranet and personnel presentations to ensure that the information reached all of the Group's employees and that the workplaces are safe, respectful and healthy. These are organisational and social working environment including diversity and gender equality, skills and development, employee talks and whistle blowers.

Education

Midsona is to be a company, where the employees feel they have opportunities for development. At the same time, it is important that the Group at all times has the right competencies as needed to achieve Midsona's visions and goals.

The Group's competence and development policy provides guidance in building, developing and maintaining competence in the organisation. Midsona develops skills through lectures, external courses, seminars or training programmes. In regular development and follow-up talks, the need for skills development in relevant areas is discussed with the employee, and the employee's skills development plan for the next year is documented and then followed up.

In 2018, a number of skills development sessions were implemented in the entire Group and locally in the business areas. All employees have attended compulsory online training in the area of GDPR for employees and lectures were implemented on pharmacovigilance, meaning systems for safety follow-up and side-effect reporting for medications. Within the business areas, Business Area Finland has operated the Midsona Academy, with lectures on how social media works and about trends in health and well-being.

Governance

For Midsona, it is important to have common core values in the five countries as a stable base for the Group. The most important steering document is the Group's Code of Conduct and all employees are expected to be aware of its contents. It is included as a natural part of the introductory course for new employees. The individual employee, the Board and all others who act in Midsona's name must act in a responsible manner, with integrity, responsibility, loyalty and respect for other people and the environment.

As further guidance, Midsona has prepared a number of other policies, mainly in Finance, HR/Health and IR. The goal is for Midsona to review in detail and when necessary revise two to five policies every year. In 2018, the following policies were examined and revised:

- Communications and IR policy
- Organisational and social work environment policy
- Insider and logbook policy
- Social media policy.

Respect for human rights

Midsona does not accept any form of discrimination and respects and respects the employees' rights and freedoms. Midsona does not accept any form of forced and child labour.

Social conditions and personnel

Midsona prioritises its employees' health and safety and offers a creative and developing working environment.

Combating corruption

In all contexts, Midsona seeks to encourage and act in line with sound competition principles. All communication should take place in accordance with applicable legislation and the Group's policies. Midsona's employees are expected to act in an ethical manner in relation to the Group's stakeholders and no form of corruption is accepted.

The whistle-blower policy adopted in 2017 shall make it easier for employees to report illegal or unethical behaviour. The policy is an important tool to quickly call attention to and combat conduct that is not in line with Midsona's values. No corruption cases have been reported.

A healthy and sustainable environment

Midsona works to reduce its negative impact on the environment, takes consideration of the environment and health in the development of products and processes and prioritises environmentally friendly technology.

Safe high-quality products

Our products being safe, high quality and sustainable alternatives in the market is fundamental to Midsona as a company in health and well-being and one of our highest priorities. We want to take responsibility through the entire value chain by cooperating with our suppliers in such areas as quality, safe raw materials and products, environment, human rights, sound competitive conditions and ethical businesses.

i This section addresses disclosures linked to Midsona's work with the sustainability areas *Social conditions and Respect for human rights* according to Chapter 6 Section 12 of the Annual Accounts Act.



Responsible sourcing

The common Nordic supply chain organisation, which was implemented in 2017 as a part of Midsona's strategy on an effective and sustainable value chain, has been very important for Midsona. Through it we can gradually improve the support to the commercial operations and lower the cost level with, for example, shared purchasing and transport.

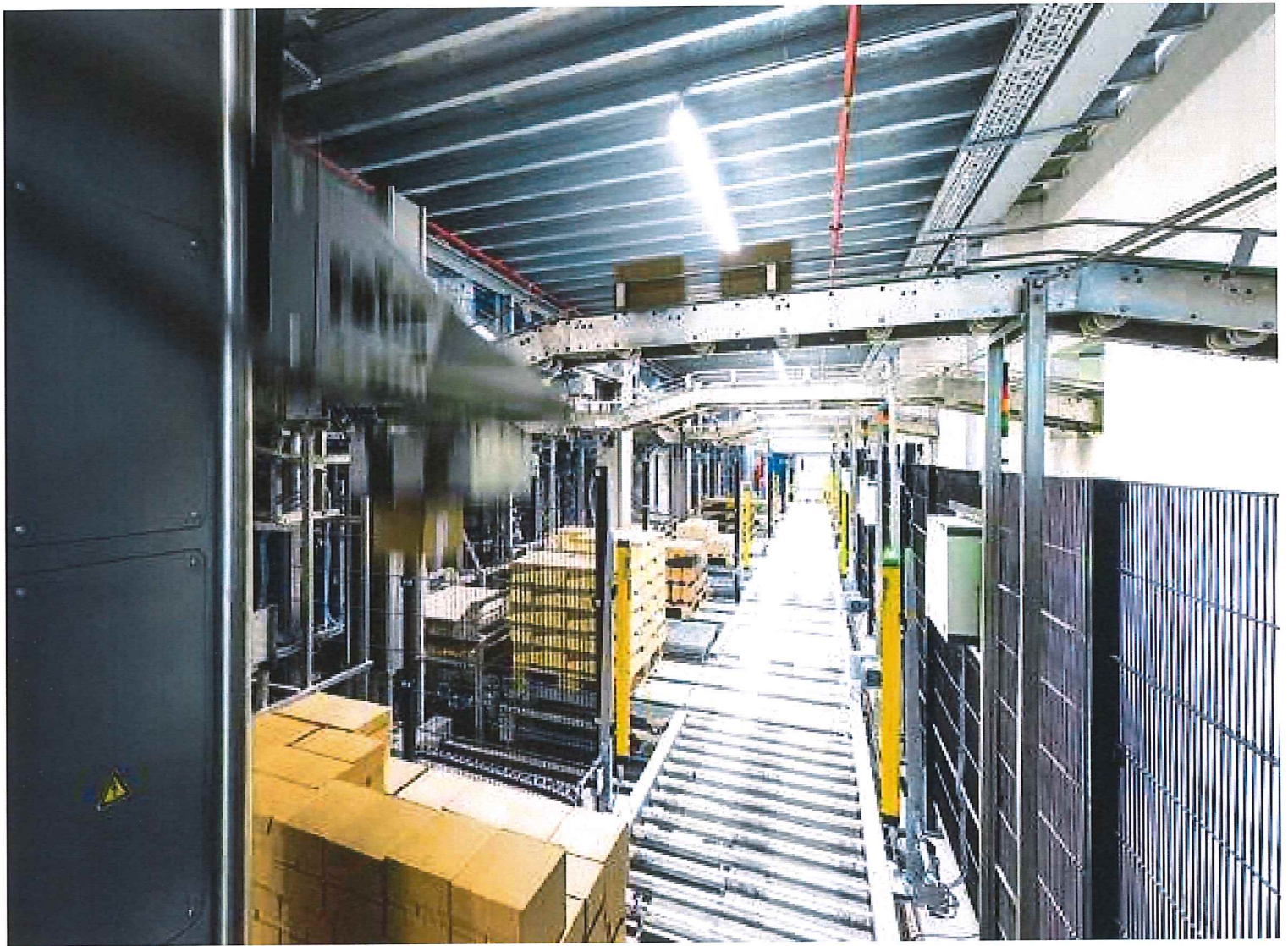
More sustainable suppliers

Through the Supplier Code of Conduct (SCOC), Midsona can set higher requirements in the supplier level and improve important processes, which in turn contributes to the Group's sustainability work being able to be conducted in a successful manner. Midsona's supplier inspections build on close relationships with our suppliers and are one of the most important tools to be able to place clear requirements on their work environment and environmental impact.

For example, Midsona is mapping, approving and following up all of its own suppliers in order to:

- Obtain an overview of whether or not they conduct their work in a sustainable manner in terms of controls, environment, emissions, personnel, etc.
- Check that they have signed the Supplier Code of Conduct.
- Get an impression of which of our suppliers work with the ISO 20400 framework for sustainable procurement/purchasing.
- Get an idea of which of our suppliers work with certifications, such as RSPO (Roundtable on Sustainable Palm Oil), MSC (Marine Stewardship Council) regarding fish oil or GMO Free (Genetically Modified Organisms) regarding food.

The Supplier Code of Conduct is a fundamental part of our procurement documentation and since 2018 has been included as a part of new agreements and existing agreements in renegotiations. At year-end, 77 percent, or 445 out of 579 unique suppliers, had signed the document. Some percentage deviation comes from the large suppliers most often being able to verify that they work with equivalent sustainability requirements and have their own Code of Conduct that is satisfactory for Midsona. Another explanation is that Midsona gained more suppliers through the acquisition of Davert. If these are not counted, 80 percent of the suppliers have signed the document.



Midsona's new specially adapted and fully automated production facility in Ascheberg, Germany.

By producing in its own specially built and sustainable production facility and by buying as much raw materials as possible directly from the countries of origin, Davert has just as good control over its delivery chain and the sustainability aspects as Midsona has. Midsona's goal is for all suppliers to sign the Supplier Code of Conduct except for those who can verify that their own sustainability work satisfies our requirements.

Portal for evaluation of the suppliers

Since autumn 2018, Midsona has conducted a project to develop a portal that will be used in the evaluation of suppliers, where the suppliers themselves answer directly in the portal. The system is being implemented at the beginning of 2019 and will, once implemented in all countries, make it easier for the company to evaluate risk and analyse its suppliers in terms of e.g. product quality, delivery quality and sustainability. It will also facilitate the evaluation of which suppliers Midsona's quality and regulatory employees should mainly devote resources to through follow-up, such as audits, and which already have sustainability work that is in line with Midsona's requirements.

Safe products



Midsona's consumers must be able to rely on our products being safe, sustainable and of the highest quality possible. Which is a significant factor in Midsona's mission to help people live a healthy life.

Today's consumer is increasingly interested in what they eat. Food plays an important role and demand is increasing for plant-based, climate-smart food. The consumers want to know that we have good processes for traceability, that we know how the food was produced, that the hygiene products they use are safe and produced in a sustainable manner. The documentation over what is included in our products and how they are produced is therefore a significant part of Midsona's quality work, for example in our work to illustrate ingredients and continue to require suppliers to work with certifications.

Midsona has a large product portfolio and to be able to guarantee safe and sustainable products, a risk analysis is required of all of our processes and a detailed product evaluation. In addition, a good relationship and close cooperation with our suppliers is necessary. We choose our suppliers with care and focus on a long-term, structured collaboration. Midsona's goal is for our suppliers to sign the Supplier Code of Conduct, but if the suppliers are not prepared to sign, Midsona hopes to be able to be an important partner in helping the supplier in the right direction.

Our products are certified according to many different standards, such as EU organic, KRAV, Fairtrade, Äkta Vara, Vegan, Eco-cert, etc. All of these set stringent requirements on quality, environmental and sustainability issues and become like a stamp of quality on our products.

All suppliers must meet Midsona's requirements on product safety, but it is also important that they have operations that are socially, ethically, environmentally and economically sustainable. To ensure this, a risk evaluation and classification of our suppliers is done with help from standardised questionnaires and an annual audit plan.

Correct and accurate labelling of products is something that Midsona's consumers demand and that the Group has long prioritised. We never want to mislead our consumers, but want to give them a correct product labelling that they can rely on and that gives them necessary information on content and origin, among other things. This is to help them make the right choice based on their health and lifestyle. Our certifications, such as KRAV and Fairtrade, are also shown on our packages and provides the consumer further guidance to choose sustainable and healthy alternatives.

Midsona's quality work is governed by current legislation, requirements from authorities and customers and industry guidelines. In addition to this, there is also our quality policy and our strive to satisfy our consumers' needs and wishes.

Some of Midsona's certifications



KRAV: Renewed annually. Issued by Kiwa, Uppsala, Sweden.



Fairtrade: An independent certification, which through controls and criteria for sustainable development gives people in countries with widespread poverty an opportunity to improve their conditions.



Eco-cert: Used only on bodycare products, new approval every year. Issued by Ecocert Group, France.



Nordic Swan Ecolabel: Environmental label. Issued by Mijomærkning, Denmark.



Vegan: The product does not contain ingredients derived from animals.



Äkta vara: Swedish labelling that the products are free from additives.



EU labelling: For organic products that are produced and sold in the EU.

Sustainable use of resources

i This section addresses disclosures linked to Midsona's work with the sustainability area Environment as per Chapter 6 Section 12 of the Annual Accounts Act.

Midsona seeks to contribute to health and well-being and create value and benefit for all of its stakeholders. This entails a long-term commitment, where the Group must review and check that the operations use resources in a sustainable manner so that people will be able to live and feel well without risking future generations' possibility to do the same.



Efficient resource use

Midsona is aware that the operations affect the environment by using water, energy, packaging and transport of products. The Group already takes responsibility for its own organic production having the smallest possible negative impact on the environment and people. In extension, this shows the way for Midsona in terms of offices, warehouses and also the transport of our products.

New production methods, energy savings, even better waste control and package solutions are areas that Midsona has identified as important for effective resource utilisation in the Group, for example:

- Energy shall be renewable and the consumption shall be kept to a minimum.
- The amount of waste shall be minimised and as much as possible shall be sorted.
- Midsona shall reduce the amount of packaging material and today measures all electricity consumption, water consumption and all waste.

Energy

The energy used in the Midsona Group's units in Malmö, Falköping and Örebro come entirely from renewable energy sources through agreements on sustainable electricity with Fortum. In Mariager, the largest part of the energy consumption comes from local wind turbines or its own solar panels. Other energy consumption comes from a local biofuel plant. At Midsona's production unit in Ascheberg, Germany 3,633 m² solar panels were installed on the plant's roof. The panels produce around 24 percent of the energy need; the remainder comes from renewable energy sources.

Within all units in Midsona, we are working with our energy consumption in various ways, for example, we are using LED lamps, motion detectors and offices with as much daylight as possible. All electricity consumption in Midsona is measured.

Waste

Midsona sorts and measures all waste at all of its own facilities. Organic waste is used in various ways in the business areas. For example, all organic waste from the Malmö office is used for biofuel for the municipality's cars, while at the Ascheberg unit it is used for external biofuel plant, a compost facility or as animal feed. Also in Norway, where Midsona moved into Oslo's most sustainable office building in 2016, the waste is used for biogas, including as fuel for buses.

Midsona's sustainability strategy means that the consideration for the environment



shall be integrated into and weighed into all decision in Midsona's daily operations. This applies to workplace issues, in changes in production methods, when new packages and packaging is discussed and not least when it concerns transports and business travel.



Efficient transports

Within the food industry, transports of raw materials and finished products are often a major source of environmental impact. Transports in Sweden account for around one third of the Swedish emissions of greenhouse gases¹. Linked to the climate agreement that the countries of the world signed on 2015, DLF has launched the Transport Initiative that Midsona has chosen to join. This means that by 2025 all of Midsona's domestic transports shall be fossil free.

The supply chain organisation that Midsona created in 2017 has started an efficiency improvement and route optimisation effort on the company's flows of goods and through the common structure, Midsona took a broader hold of the work on transports. As a result of a Nordic transport procurement made to coordinate Midsona's transports, Midsona's domestic refrigerated and frozen transports and domestic transports to and from the company's unit in Falköping will be made with trucks run on entirely renewable diesel, so-called HVO (hydrated vegetable oil), as of 2019.

Midsona is also working to fill the goods transports as much as possible by either using double positioning of pallets or so-called beaming, where the transporters place beams so that even pallets with fragile good can be stacked.

Transports not only involve goods or raw materials, but also business travel. Within the scope of the Transport Initiative, employees' business travel by train, boat and car will also be entirely fossil-free by 2025. Midsona's travel policy is under revision to better address these issues. To reduce Midsona's general travel needs, video conferencing equipment was introduced as a standard at the Group's offices. In recent years, several Nordic Group projects were conducted and thanks to video conference equipment, the Group has been able to make significantly fewer trips with less environmental impact as a result, at the same time that the efficiency in the projects could be preserved. In 2018, 5,701 video conferenced were held in the Media Group.

Midsona's travel policy encourages employees who travel to always have the environment in mind in both planning and booking travel, and during the actual journey, and to replace as many trips by air as possible with alternatives that have lower carbon dioxide emissions.

For the past few years, salespeople from the Midsona Group – both its own and external teams – must attend training in so-called eco driving, which is a frugal way of driving that saves both money and the environment.

¹ Swedish Environmental Protection Agency.

Carbon-offset for transports

Since 2009, Midsona carbon-offsets under the brand Kung Markatta, as the first company in the FMCG sector in Sweden, all transports that are necessary to import organically grown products from around the world. Transports of goods to customers will also be offset. Midsona has chosen tree planting for its carbon-offset. The cooperation Midsona has chosen is the Vi-forest and its own symbol has been developed for the labelling of our products.

Also under the brand Helios, Midsona has chosen to carbon-offset for CO₂ emissions in connection with production. Focus is on Project Ghana, where Midsona in the region Ashanti offers the local population energy efficient ovens instead of those fired with charcoal.



Sustainability governance

Board of Directors

Midsona's Board took the initiative to a more intensified and overall sustainability work in the middle of 2016 and has declared this work to be of the highest priority. The Board has the overall responsibility for us working with a realistic agenda for sustainable development in our industry. Reporting of results is made at Board meetings once or twice a year.

Group's sustainability team

Those responsible for various sustainability issues and other experts in the Group, such as in production, sourcing, quality, transport, etc. have been identified and constitute, together with representatives of the business areas, Midsona's sustainability team. The team drafted the proposal on the sustainability strategy and the focus areas that were approved by Midsona's Board and form the basis of the Group's sustainability work. The Group handles strategy issues for Midsona's focus areas and is responsible for the governance and implementation of the business areas' collection of result indicators.

CEO and Group Management

Midsona's sustainability group is supported by the CEO and Group Management, which monitors the development and implementation of various measures.

Sustainability risks

Midsona has chosen to integrate its risks in the sustainability area with the Group's other risk management processes. Information on how Midsona analyses and handles sustainability risks is therefore in the annual report's risk section on pages 43–52.

Auditor statement on the statutory sustainability report

To the Shareholders of Midsona AB (publ),
corporate identity number 556241-5322.

Assignment and responsibilities

The Board of Directors is responsible for the sustainability report for 1 January 2018 to 31 December 2018 on pages 53–73 and for it being prepared in accordance with the Annual Accounts Act.

Review focus and scope

Our review has been conducted in accordance with FAR's recommendation RevR 12 Auditor's statement on the statutory sustainability report. This means that our statutory examination of the sustainability report is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our statement.

Statement

A sustainability report has been prepared.

Malmö, 28 March 2019

Deloitte AB



Per-Arne Pettersson
Authorised Public Accountant

Sustainability risks

Personal and social conditions

EMPLOYEE HEALTH – A HEALTHY CULTURE

PROBABILITY		EFFECT	
Description of risk	Risk management	Comment	
High sickness absence and other kinds of absence can have consequences for operations both in the ability to implement and the ability to recruit new employees through the impact on Midsona's reputation.	We actively work for the employees to have a healthy, creative and developing work environment and tries in various ways to stimulate health-promotion activities, such as through Midsona's Health and Well-being Policy. Midsona cooperates with occupational health services in every location where we have operations. We regularly review the organisation in various ways, such as compulsory development discussions and employee surveys.	Sickness absence is registered and all absence is discussed with the individual based on his or her needs. In 2018, an employee survey was carried out. It identified a need for health initiatives and initiatives such as "Health Focus 2019" were therefore started in the Business Area Denmark, with health check-ups and particular focus on smoking and stress. The other business areas will work with these areas at their respective kick-off conferences in 2019.	

Absence due to illness, %

	2014	2015	2016	2017	2018
Sweden	4.3	3.6	6.0	3.8	4.7
Norway	4.9	5.3	5.7	5.0	3.4
Finland	3.6	2.7	3.2	2.1	2.7
Denmark	-	4.1	4.5	5.7	8.4
Germany	-	-	-	-	6.2
Group	4.5	4.3	5.1	4.6	5.7

Environment

CLIMATE CHANGES

PROBABILITY		EFFECT	
Description of risk	Risk management	Comment	
The consequences of climate change can impact the ability to secure raw materials and thereby affect the operations and profitability.	We work based on the respective brand's sustainability plan to secure raw materials. Initiatives are taken to reduce the environmental impact of packaging, optimising the filling level of packaging, carbon-offset for product transports, increasing the filling rate on transport pallets and in trucks, ecolabeling and ensuring supplier environmental work. We measure carbon dioxide emissions from our production and warehouse facilities with the aim of keeping them to a minimum. Locally within the respective business area, courses are being carried out in eco-driving for sales representatives.	In 2018, we developed plant-based packaging for hygiene products under the brand Urtekram, which will gradually be launched. We have also joined the Plastic Initiative, which means that by 2022 all of our plastic packages will be able to be recycled, and the Transport Initiative, which means that all of our domestic transports will be fossil-free by 2025. During the year, three (4) ecodriving training sessions were held. All production and warehouse facilities transitioned to renewable electricity in 2018. An updated travel policy has also been prepared with the aim of reducing emissions for business travel.	

Respect for human rights

DIVERSITY AND EQUALITY

PROBABILITY		EFFECT
<p>Description of risk A lack of diversity and equality can have consequences for Midsona's business in that valuable competence would be lost, thereby decreasing the innovative capacity. It can also have consequences on Midsona's reputation in society.</p>	<p>Risk management Our Code of Conduct determines important primary principles, including diversity and equality principles. We continuously work with such issues by making sure that the working conditions suit all employees, that instructions and criteria in the setting of salaries are fair and that wages are mapped, that it is possible to combine work with parenthood and when competence of candidates is equal to recruit the gender under-represented at the department.</p>	<p>Comment Our Code of Conduct is published in six languages, including Swedish, English, German, Danish, Norwegian and Finnish.</p>

SUPPLIER WORKING CONDITIONS

PROBABILITY		EFFECT
<p>Description of risk Poor conditions at our suppliers can have major consequences for our reputation, as well as business relationships, product quality and ultimately profitability.</p>	<p>Risk management We want to take responsibility through the entire value chain by cooperating with our suppliers in such areas as quality, safe raw materials and products, environment, human rights, sound competitive conditions and ethical businesses. We do so through our Supplier Code of Conduct (SCOC) that was put into use during the year, through which we can set higher requirements on the supplier level and improve important processes. SCOC is a fundamental part of our procurement documentation. We also actively work with various certifications, including KRAV and Fairtrade.</p>	<p>Comment At the end of 2018, 77 percent of our suppliers had signed the Supplier Code of Conduct. Since autumn 2018, we have worked on the implementation of a portal that will be used in the evaluation of suppliers. The system will make it easier for the Group to analyse its suppliers in terms of product quality, delivery quality and sustainability, as well as facilitating the evaluation of which suppliers our quality and regulatory employees should mainly apply resources to through follow-up, such as audits, and which one have sustainability work that is in line with our own requirements. 16 quality audits of suppliers (10) were conducted during the year.</p>

Combating corruption

CORRUPTION RISK

PROBABILITY		EFFECT
<p>Description of risk Risks related to corruption can damage our reputation and it can also affect business relationships and ultimately profitability and cause socio-economic consequences.</p>	<p>Risk management We have a Code of Conduct policy that all employees must sign. It sets forth zero tolerance to corruption. The Group also has a whistle-blower policy. In the relationship to suppliers, our Supplier Code of Conduct is the most important tool to be able to take responsibility through the entire value chain and actively cooperate with our suppliers with regard to ethical business.</p>	<p>Comment No reported corruption incidents in 2018 or 2017.</p>