
ANNUAL REPORT

2016

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Corporate Social Responsibility

Our employees

As at 31 December 2016, the HOCHDORF Group has a total of 633 employees. The number of employees in Switzerland has risen by 34 people in comparison with 2014. This increase is primarily based on the growth in the area of Baby Care, on new equipment and on the insourcing of some of the logistics. We value the experience and commitment of our employees and reward their loyalty in HOCHDORF Swiss Nutrition Ltd with a company loyalty gift as soon as they have been with us for five years.

Profit sharing for all

The employees of HOCHDORF Swiss Nutrition Ltd can share in the success of the company. The profit-sharing scheme is a thank-you to the employees for thinking and acting in a cost-conscious manner. A profit-sharing payout has been possible for the last two years.

Equal opportunity and diversity in the workplace

Women and men are promoted in equal measure in the HOCHDORF Group. The principle of equal pay for equal work also applies. Women make up around a third of the workforce of the HOCHDORF Group. The proportion of women in middle- and upper-tier management has increased slightly and is currently 22 %.

People from a wide variety of social backgrounds and of various ages and nationalities work in the HOCHDORF Group. When employing new people we pay attention not only to their professional skills but also to the composition of the working team. For example, the HOCHDORF Group filled over 13 % of new vacancies in Switzerland with people who were older than 50 at the time of their appointment.

Shift work and safety

Irregular working hours are stressful. For that reason night and weekend work is subject to special compensation at HOCHDORF. Shift-workers in Switzerland have no legal entitlement to a paid break. However, HOCHDORF Swiss Nutrition Ltd voluntarily pays for a half-hour break. As a result, actual working time amounts to about 7.9 hours per day. As well as

a 10 % time credit, night bonuses amount to 34 % instead of the legally prescribed 25 % and, in addition to the obligatory Sunday bonus, they are also supplemented by a voluntary Saturday bonus. The employees in Switzerland also have at least 24 days holiday a year.

Safety management at the HOCHDORF Group covers areas such as occupational safety, food safety, data security, compliance and crisis management for internal and external damage events, as well as food-safety crises. There is also the post of «Safety Officer», who is responsible for occupational safety. Swiss in-house emergency response officers have also received advance training as part of the normal two-year cycle and passed the BLS/AED exam. For employees with a management function and in collaboration with SUVA, HOCHDORF Swiss Nutrition Ltd organised the seminar «Responsibility in Occupational Safety».

Commitment to basic and advanced training

The HOCHDORF Group trained over 30 apprentices in seven occupations at the end of 2016. The situation is regularly reviewed. Since 2015 we have included mediamatics and logistics apprenticeships in our programme. But HOCHDORF offers more than just training. Where possible, we try to make it easier to start a career. In Switzerland we gave permanent employment to total of five business trainees and one food technologist on completion of their apprenticeships. At Uckermärker Milch GmbH for example, we hired a dairy science lab assistant and two milk technologists.

No progress or expertise is possible without life-long continuing education. The HOCHDORF Group is dependent on experts and for this reason offers various advanced training courses. For example, there is an online training course in hygiene, which production employees have to complete. A hygiene day with outside speakers is also held each year for managers and senior employees from production, the laboratory and product development. A refresher course of this type is held every two years in Lithuania.

Working in the HOCHDORF Group is becoming ever more international. For that reason we have

offered our employees English courses at various levels since 2014. These courses are attended by an average of 20 employees per year.

The HOCHDORF Group also encourages individual further education and training. For example HOCHDORF has supported degree courses and higher technical qualifications as sales managers, logistics specialists, experts in accounts and controlling and in the area of marketing and communication. In areas or countries where there is a lack of advanced technical training opportunities, we support our employees with internal training courses, for example at our location in South Africa in the area of chocolate production.

Annual employee meetings

A target/performance and support meeting is held at least once a year with each employee. The meetings follow a defined pattern and form the basis for personal advanced training and career planning.

Healthy pension fund

HOCHDORF's pension fund performed well in the past two years and is still on very solid footing. The Pension Fund Foundation is managed by a body composed of employer and employee representatives. The level of coverage is 117.8 % (as of 31.12.2016), an interest rate of 2.75 % was paid on the savings credit in 2016. Employees have the flexibility of retiring between the ages of 58 and 70.

Employee figures

	2016	2014	2012
Total number of employees (as at 31 December)	633	390	381
Number of full-time equivalents (as at 31 December) ¹⁾	589	364	356
Employees by area			
Administration and Marketing/Sales	120	69	61
Laboratory and Development	94	52	54
Production	343	190	192
Supply Chain and Technology	76	35	30
Employees by location			
Hochdorf	212	193	203
Sulgen	166	151	131
Medeikiai, UAB HOCHDORF Baltic Milk	52	44	44
Marbach, Marbacher Ölmühle GmbH	14		
Prenzlau, Uckermärker Milch GmbH	184		
Cape Town, HOCHDORF South Africa Ltd	5		
Trainees in occupational apprenticeships	31	11	10
Total proportion of women	32 %	28 %	28 %
Proportion of women in middle- and upper-tier management	22 %	18 %	18 %
Staff turnover ²⁾	5.85 %	6.65 %	5.09 %
Sickness rate, in % of all working days ³⁾	4.70 %	1.14 %	1.36 %
Accident rate, in % of all working days	0.52 %	0.66 %	0.4 %

¹⁾ Apprentices are calculated at 50 % of a position.

²⁾ Voluntary departures in relation to the average number of employees per year.

³⁾ First figures for companies abroad.

Our energy sources and energy consumption

The HOCHDORF Group has changed greatly in the two years since the last publication of its sustainability report. On the product side, not only dry milk products are produced and sold today, but also butter, curd and buttermilk. The production of these products is significantly less energy-intensive than the production of milk powder or even infant formula. HOCHDORF had already pressed oil prior to the acquisition of Marbacher Ölmühle – VIOGERM® wheat germ products – but the quantities in the Cereals & Ingredients division have increased substantially. However, with regard to the entire produced quantity, the cereal products still only make up a small percentage.

The figures and projects on the subject of energy sources and energy consumption relate to the activity of the HOCHDORF Group, with the exception of the chocolate factory in South Africa. For a first comparison, the quantities produced as well as the consumption of energy and water at Uckermärker Milch GmbH were also recorded for 2014, although the HOCHDORF Group did not own a majority stake in this plant at that time.

Focus on product quantity produced

The starting point for previous analyses of energy consumption was the processed quantity of liquid (milk, whey, etc.). The focus is now shifting in the direction of tonnes of product produced in total due to changes in the product line. As another innovation, the CO₂ emissions of the HOCHDORF Group will also be shown for the first time.

The HOCHDORF Group processes and refines natural raw materials such as milk, whey and cereals into valuable ingredients mainly for other food manufacturers and also directly for the end customer. The most important partial processes for the production of milk powder include concentrating, drying, mixing and packaging. In the area of cereals, this is primarily the pressing of seeds and milling of press cakes into high-quality flour.

Making products with short shelf lives last longer

Milk and whey are raw materials that perish very quickly at room temperature. Thanks to the drying process, HOCHDORF turns milk, for example, into a food product that will last substantially longer. As a result, HOCHDORF makes a contribution to the prevention of food waste.

Drying plants generally require process heat and fresh water. They produce waste heat, CO₂ and wastewater as a result. HOCHDORF is committed to handling available resources in an economical, environmentally-friendly manner. To the greatest extent possible, the waste heat is recycled back into the manufacturing process in the production plants.

Water and wastewater

A comparison of the years 2014 and 2016 shows the freshwater consumption and the accumulation of wastewater (absolute and as a percentage of the quantity produced) fell slightly. The decline is even more astonishing since a water- and wastewater-intensive process was started at the Sulgen location with the production of lactose. It was possible to achieve the reduction due to various measures in the area of water management in Sulgen. For example, we purify the water – water vapour – «obtained» from the vaporisation process and use it to flush out the lines. One of the main measures was an investment in a wastewater pre-treatment plant. This makes it possible to reduce the effluent that enters the local wastewater treatment plant. The gas obtained in the wastewater pre-treatment – roughly four gigawatt hours – is used in production.

An investment was also made in better wastewater treatment at the Medeikiai location. Thanks to a flotation system, it could be greatly improved and the pollution of the environment reduced.

Energy consumption and CO₂

The energy consumption of the HOCHDORF Group (fossil fuel energy sources and electricity) increased over two years by just 2.1 % from 264.4 to 269.9 gigawatt hours. During the same time period, the product quantity produced increased to 236,179 tonnes (+1.3 %). The CO₂

values were calculated by conversion factors on the basis of the original energy source. Accordingly, the HOCHDORF production plants emit over 57,000 tonnes of CO₂ (+1.5 % in comparison to 2014). Per tonne of produced product, the CO₂ emissions have hardly changed, however.

The consumption of energy solely increased at the Swiss plants in the two-year comparison. HOCHDORF Baltic Milk processed significantly less milk, which led to a reduction in the absolute energy requirements. As a percentage of the produced quantity, however, the need for energy increased. It can be seen that utilised systems can be run more energy-efficiently.

In Uckermark, the two-year comparison showed a lower consumption of energy with slightly higher quantities of produced products. In total, dry products were produced less, and the production of buttermilk is less energy-intensive than, for example, the production of curd. Furthermore, the usage of energy could be optimised thanks to modernisation of the control system in the drying process.

Insourcing of lactose production

The over 10 % increase in the consumption of energy at the Swiss plants can be explained by the insourcing of the lactose production. In the past, 100 % of the lactose was purchased in powder form and used as an ingredient for infant formula. Today HOCHDORF produces most of the required lactose itself. The lactose produced in the company's own plant is added to the infant formula recipe in liquid form. The company's own production causes HOCHDORF Swiss Nutrition to need more energy in total and emit CO₂. In the product balance, this insourcing will result in significant energy and CO₂ savings. Transport and an energy-intensive drying process are no longer necessary.

Furthermore, the CO₂ recovery equipment at the Sulgen plant as mentioned in the last sustainability report was put into operation. This equipment processes the CO₂ emitted by burners for further use, specifically in the packaging of foods.

Outlook

As a user of agricultural raw materials, the HOCHDORF Group is dependent on an intact

environment. As a first-level processor, we know that high-quality raw materials like milk, grain and oil seeds can only be manufactured in an intact environment. In Switzerland, HOCHDORF has made a commitment to the Industrial Energy Agency to reduce CO₂ emissions even more. In order to achieve this goal, the group will increasingly invest in new, energy-efficient systems. Accordingly, a modern system for concentrating milk is starting up in spring 2017 at the Hochdorf site as well as a high rack storage area at the Sulgen site in the autumn of 2017. As a result, a large number of lorry trips are no longer necessary.

Energy and environmental figures ¹⁾

	Unit	2016	2014	2012	Changes in % (2014 – 2016)
Produced products	t	236,179	233,105	87,518	1.32 %
Fossil energy total	kWh	222,234,170	217,812,922	154,702,525	2.03 %
Thereof natural gas	kWh	222,124,170	216,908,663	154,179,932	2.40 %
Thereof heating oil	kWh	110,000	904,259	522,593	–87.84 %
Electricity total	kWh	47,708,177	46,633,511	30,504,795	2.30 %
Fresh water volume	m³	1,481,127	1,511,337	929,464	–2.00 %
Waste water volume	m³	1,561,392	1,588,668	1,021,465	–1.72 %
Energy/output fossil	kWh/t	941.0	934.4	1,767.7	0.70 %
Energy/output electricity	kWh/t	202.0	200.1	348.6	0.97 %
Fresh water	m ³ /t ²⁾	6.3	6.5	10.6	–3.27 %
Waste water	m ³ /t ²⁾	6.6	6.8	11.7	–3.00 %
CO₂ emission	t	57,226	56,376	36,003	1.51 %
CO ₂ emission/prod. product	kg/t	242.3	241.8	411.4	0.19 %

¹⁾ Figures 2012: HOCHDORF Swiss Nutrition AG and UAB HOCHDORF Baltic Milk / Figures 2014 and 2016: All factories without HOCHDORF South Africa Ltd.

²⁾ m³ (waste) water per tonne produced products.

The HOCHDORF Group in society

The HOCHDORF-Group maintains a lively discussion with internal and external stakeholders and target groups. Good relations with customers, employees and shareholders are of key importance to us. We also maintain regular contact with authorities, associations and local residents.

At our locations both at home and abroad we receive strong backing for our commercial success. We are an international and reliable partner. In this function we currently bear a major responsibility, with 347 full-time employees in Switzerland and 242 abroad. With a payroll of nearly CHF 47.8 million, we are an important player in regional commerce and for the Treasury at our locations. Local trades also benefit as far as possible from our investment projects.

Our role in the economy and politics

The companies in the HOCHDORF Group see themselves as both customers and partners of productive agriculture. In addition to regular production, HOCHDORF helps to even out seasonal volume fluctuations and stabilise the market with its drying plants. By purchasing, processing and selling agricultural raw materials we enable many farming families to achieve a regular income.

We are particularly proud of the procurement of cocoa beans for our chocolate products in South Africa. It is rare for an African chocolate producer to procure its cocoa beans directly from Africa. We procure our cocoa beans from around 60 cocoa farmers in Tanzania. The cocoa beans are shipped directly from Tanzania to Cape Town and processed and sold by us in Africa. Thanks to this procedure the entire value chain stays on the African continent.

HOCHDORF takes part in some 50 national industry organisations, interest associations, expert commissions, and working groups and is committed to achieving good understanding, including in the Federation of Swiss Food Industries (fial), the Organisation for the Milk Sector (BOM), the Association of the Swiss Milk Industry (VMI), the Association of the German

Milk Industry (MIV) and the foundation «Switzerland Folic Acid Campaign».

Communication is important

The HOCHDORF Group places great importance on good and effective communication. In this regard, Corporate Communications ensures that all internal and external information is up to date, accessible, and tailored to the target groups. It is important that all stakeholder groups receive information that is as timely and needs-related as possible. As a stock exchange-listed company, we comply with the directive on ad hoc publicity of the SIX Swiss Exchange. Internal communication channels include the monthly CEO newsletter, the intranet, e-mails, on-screen messages, a monthly information sheet and wall posters. There are also two information events every year for employees at all the Group's Swiss locations. The internal information policy is set down in writing and guarantees that our messages are appropriately forwarded to every level. In return, the employees have the opportunity to pass on their input via their immediate line managers or directly to the CEO.

The Annual Report, a letter to shareholders about the half-year financial statements, the customer magazine, HOCHDORF Inside, and various e-newsletters, keep shareholders and customers regularly updated on the course of business, developments in the Group, and the market environment. Media representatives and analysts are also informed about the annual figures at the annual results press conference. The HOCHDORF Group reports about any special events on an ad-hoc basis by means of press releases. All the latest information can be viewed at any time on the website (www.hochdorf.com) and some of it is also disseminated via social networks such as LinkedIn and Twitter.

Since the end of 2016 our key customers have also found all the relevant product documentation and specifications on an extranet specifically set up for them.

Sponsorship and donations

For the HOCHDORF Group, small sponsorships and donations are a component of its social responsibility. The Group concentrates its commitment in this regard particularly on activities in the vicinity of its locations, as well as on the areas of sport and charitable commitments.

The HOCHDORF Group funds the Hochdorf football club (FCH) as its main sponsor, as well as the figure skating school and the hockey club. In addition, we have supported various events in the vicinity of Sulgen and Hochdorf, such as the Easter Show Jumping in Amriswil and the Lake Baldegg Run in Hitzkirch. We also sponsored some one-off anniversary events for tennis and mountaineering clubs, for example. In terms of charities, the HOCHDORF Group has supported the local Samaritan association with Heliomalt and milk during blood donation events. We have also been involved in the «Chenderhand Seetal» association for four years. The association arranges childcare making it possible for many women to harmonise family and work responsibilities.

In its core business area the HOCHDORF Group supports the Eastern Switzerland Food Forum and the regional Hochdorf/Seetal cattle shows, and for several years has also acted as sponsor for advanced training in agricultural and domestic management at the Nature and Nutrition Training Centre in Hohenrain. With its donations, the HOCHDORF Group supported about 170 camps, associations, and organisations in the 2015 and 2016 business years with products such as Heliomalt, wheat germ shakers, VIOGERM® Wellness Crisps, and FEMTORP® Mousse. The associations and schools value our involvement very highly.

At our location in South Africa we sponsored the local library, as well as various community activities and clubs. We have recently been cooperating with «Mandela Tea» on the launch of a chocolate line, some of the profits from which will go to the «Mandela Day school library project».

At our location in Lithuania we supported the Lithuanian ladies double sculls in the Olympic rowing regatta, up to the 2016 Summer Games in Rio. The team rewarded us with a bronze

medal. At the regional level we sponsored various cultural events in Birzai, such as the annual town carnival, the theatre festival and special shows in the Castle Museum, as well as charitable activities such as the organisation of Christmas gifts for the reception classes at the primary school in Medeikiai.

At international level we have supported Peruvian nuns with non-cash gifts for many years. The nuns are active in rural areas of Peru, not only providing spiritual welfare services but also performing numerous social tasks such as distributing medicines, giving lessons in hygiene, working as midwives and nurses, etc. Instead of giving gifts to customers at Christmastime, the HOCHDORF Group has donated an amount to the Zoodo Switzerland Foundation for the past four years. With our contribution we support a baby orphanage in Burkina Faso.

The HOCHDORF Group and «Switzerland Folic Acid Campaign»

The World Health Organisation (WHO) and the «Swiss Nutrition Report» identified a lack of sufficient folic acid provision worldwide. Closing the folic acid gap is today one of the most important measures for improving our health and quality of life. The HOCHDORF Group has been active in this area since the «Switzerland Folic Acid Campaign» foundation was established, and thanks to cold-pressed VIOGERM® wheat germ products, it manufactures numerous products under the folic acid label.

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