



“Taking  
responsibility”

---

# 8.1\*

billion kilos of  
raw milk processed

---

\* DMK processed 8.1 billion kilos of raw milk in 2017  
(including 5.6 billion kilos from Deutsches Milchkontor eG and DMK GmbH dairy farmers)

---

**Responsible management forms the basis of our company.** We value the fact that milk, our raw material, is a product of nature. It is therefore our goal to embed sustainability in our supply chain from the farm to the retailer's chilled cabinet. DMK has been systematically introducing more sustainability into the dairy industry since the year 2013 with the DMK 2020 Strategy and the Milkmaster Programme. Our strategic approaches integrate animal welfare aspects, environmental protection and the farmers' and company's business prospects in an all-embracing and multi-layered manner: Because DMK remains focused on cost-efficient entrepreneurship that harmonises the requirements of customers and consumers with the business needs of the dairy farmers.

---

## Working together to increase sustainability in the dairy industry

DMK unites regional roots with international success. More than 7,500 farmers and 7,700 employees are hard at work to make the best out of milk – and to ensure sustainable production and processing.

As Germany's largest dairy cooperative and a leading European company, we make around eight billion kilos of milk every year into top-quality foods at more than 20 sites in Germany and the Netherlands. Sustainability has taken on greater significance in the past few years and is in growing demand from customers, consumers, politicians and other players. We as a company have been addressing topics like environmental protection and quality assurance at our sites for decades now. We're comprehensively and systematically engaged and on board with sustainability, with the DMK 2020 Strategy in place since 2013 and the Milkmaster Programme since 2015. We're convinced of one thing: sustainability in the dairy industry is the basis for the future.

### Animal welfare has priority

The welfare of the cattle is one of the most vital topics in our industry. Because only healthy, happy cows give good milk. Our Milkmaster Programme helps farmers to achieve improvements in the areas of cow comfort, animal health, feed cultivation, feeding and milk quality. The Milkmaster code is embedded in our Milk Delivery Regulations - which makes it binding on all the cooperative's dairy farmers.

### All-round responsibility

Beyond animal welfare, DMK has anchored sustainable entrepreneurship in harmony with people and the environment in every link of the value chain. The DMK Group bears the responsibility for milk processing at more than 20 sites - for example, in environmental protection and occupational health and safety. Everyone takes responsibility in a sustainable value chain - from the farmer to the customer. It starts on our farms, where the milk is produced. It is of fundamental importance to the products' eco-balance. The requirements have to be feasible for the farmers - and must be rewarded.



#### Expert collaboration

Sustainability is a cross-departmental task at DMK. A number of specialist departments such as Purchasing, Agricultural Affairs, Occupational Health & Safety/Environmental Protection, Energy Management and Quality Management are involved in implementing it. Many aspects of sustainability, such as product quality and safety, logistics, waste management and human resources issues, are now firmly anchored in the departments' processes and form part of their daily routine today.

#### Sustainability in the product assortment

Our broad assortment ranging from cheese, fresh dairy products, baby food, ice cream and health products to animal feeds make us the fourth-largest supplier to German grocery retailers. We also supply products to many industrial companies and customers in international markets. Our commitments in relation to animal welfare, environmental protection and occupational health and safety are binding for the DMK Group's entire assortment. Added to these are trend topics which DMK operationalises for specific market segments. For example, in just eighteen months we became the provider of GMO-free dairy products in Germany and Europe, with 2.3 billion kilos of GMO-free milk.

#### A company of dairy farmers

DMK is 100 percent owned by dairy farmers. As a cooperative-based company, we are rooted in the regions and at the same time present in high-potential markets all around the world. The cooperative acts as a parent company. It is also responsible for our most important raw material - the raw milk. Some 7,500 dairy farmers, as the shareholders, are closely

involved in the issues of their dairy company's future through the executive bodies.

#### Our 2020 Strategy

In 2013, DMK published the 2020 Strategy, which at the time comprised 60 goals in 20 fields of action. By 2016, 25 goals had already been achieved. The sustainability programme has now been updated and is divided into five strategic areas: agriculture, environment, milk, team and society. We want to achieve ten goals in ten fields of action with this programme (see pages 8/9).

“**Making advances in the production and processing of milk in harmony with nature and society is a major task. DMK is facing up to it with the involvement of a wide range of stakeholders.**”

*Prof Dr Folkhard Isermeyer, Thünen Institute*

#### A sustainable future

Our achievements in sustainability are nationally and internationally acknowledged and esteemed. DMK has repeatedly been voted a top employer. In 2017, DMK was honoured in the German Awards for Excellence in the category of Energy Efficiency. In the same year, EcoVadis awarded DMK a Gold rating for its sustainability achievements. DMK is among the best five percent of the companies rated by EcoVadis. We are proud of these distinctions. Because we want to be a role model - for a modern, sustainable dairy industry with a future.

# Our sustainability strategy: DMK 2020

Entrepreneurship in harmony with people and the environment is a central concern for us. The DMK 2020 Sustainability Strategy has ten set goals in five areas, to be achieved by the year 2020.

**AGRICULTURE**

**Our aspiration**  
We will improve our cows' living conditions and reduce their environmental impact.

**Fields of action**  
Animal welfare  
Climate protection

**ENVIRONMENT**

**Our aspiration**  
We will improve the eco-balance at our sites.

**Fields of action**  
Energy  
Water

**TEAM**

**Our aspiration**  
Together we will do our utmost to attain long-term success for every individual and for DMK.

**Fields of action**  
Employer  
Occupational health and safety

**MILK**

**Our aspiration**  
We will take responsibility for our dairy products.

**Fields of action**  
Value added  
Packaging

**SOCIETY**

**Our aspiration**  
We will support the regions we operate in.

**Fields of action**  
Dialogue  
Regional value added

## FIELDS OF ACTION BY 2020...

**Animal welfare**  
**Climate protection**

... with Milkmaster, we will make proven improvements in animal welfare on our farms.  
... we will complete five environmental protection projects.

**Energy**  
**Water**

... we will increase energy savings at our sites by 15 percent compared to 2011.  
... we will reduce absolute fresh water consumption by five percent compared to 2015.

**Employer**  
**Occupational health and safety**

... we will become the top employer in the food industry.  
... we will have no more accidents at our sites.

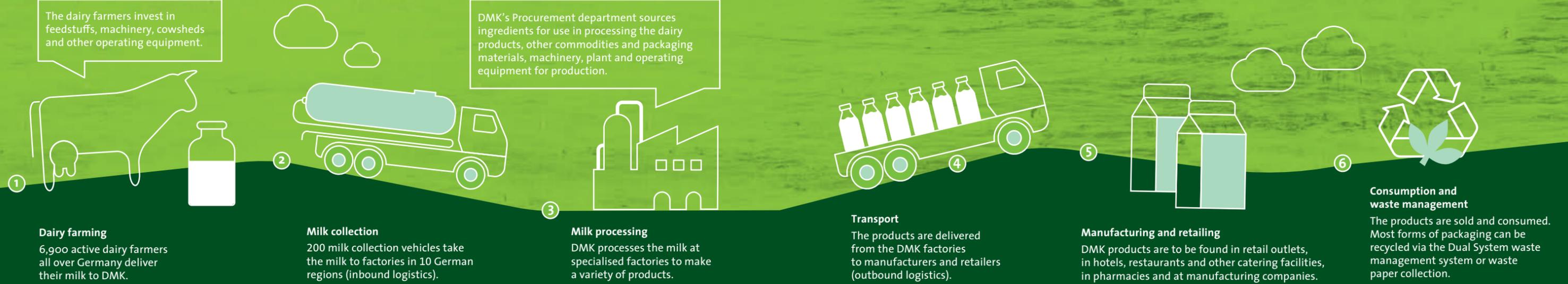
**Value added**  
**Packaging**

... we will implement sustainability concepts for 25 percent of the milk volume.  
... we will implement three projects to improve the sustainability of packaging materials.

**Dialogue**  
**Regional value added**

... we will contribute to at least three initiatives on the future of the dairy industry.  
... we will identify examples of our contribution to society.

## FROM THE COW TO THE FRIDGE





# Milkmaster Programme takes care of animal welfare

In Lower Saxony in north-west Germany, two family-run farms are home to our two Milkmaster Farms. Here, guests can gain first-hand experience of DMK's efforts to ensure the welfare of animals, modern housing conditions and a constantly improved milk quality.

These Milkmaster Farms can be visited by selected interested parties, such as DMK customers, feed advisers, politicians or journalists. The farms have entertained more than 500 guests since the farms opened in 2015.

The Milkmaster Programme, launched in 2015, is an all-round tool to promote animal welfare and sustainability in dairy farming. The Milkmaster Code has formed part of our Milk Delivery Regulations since 2016, applying not only to members of the cooperative, but also to external milk suppliers.

The programme consists of a monitoring, confirmation and advisory system and a bonus system. Milkmaster pays a cash premium to reward the work of dairy farmers who perform outstandingly on cow comfort, animal health, feed cultivation, feeding and milk quality. All farmers can earn points in these five areas which are used to determine the amount of the bonus payment. For example, in the cow comfort section DMK encourages a loose housing system with a specific area for calving or the isolation of sick cows, in animal health, threshold values

for somatic cell counts and lifetime yields, and in milk quality, the use of a tank guard. DMK paid out a total of 42.7 million euros to its farmers in Milkmaster bonuses in 2017. In 2016, the first year, the bonus totalled 33.6 million euros.

The Milkmaster Report presents the results of all the dairy farmers' self-assessments on the basis of 148 ratios and serves as an internal control. The farmers receive an analysis of their performance every year. Just under 5,800 dairy farmers took part in the self-assessment in 2017. These farmers supply 96 percent of DMK's raw milk. All dairy farmers are also audited every two years by an external certifying company. All Deutsches Milchkontor eG and DMK GmbH dairy farmers have now been externally audited once as planned.

**“ DMK's Milkmaster Programme is a good example of how the concept of sustainability can be made measurable and transparent.”**

*Dr Arno Krause, Managing Director  
Grünlandzentrum Niedersachsen/Bremen e.V.*

The independent consumer quality group Stiftung Warentest assessed a number of dairy companies in 2017. DMK received a rating of “good” and was positively mentioned in the test report, particularly for the Milkmaster Programme and its engagement in animal welfare.

**42.7** **98.6**

million euros  
paid out in Milkmaster  
bonuses in 2017

percent of farmers use  
mainly regionally produced  
feed components

## Our farmers are a strong community

With around 7,500 Deutsches Milchkontor eG dairy farmers, DMK GmbH contract suppliers and DOC Kaas B.A. suppliers, the DMK Group is one of the largest dairies in Europe organised on the cooperative system.

The cooperative model has a heritage going back 200 years in Germany - a heritage that we're proud of and want to carry on. At DMK, the cooperative stands for self-management, a shared community, mutual support and continuity. The cooperative is founded on the will of the members, is flexible and capable of change. DMK is carrying the tradition into the future, by further developing member relations and giving them a more modern structure, among other things. Further key areas in past years have been improved communication and intensive dialogue within the cooperative.

A core concern for DMK is actively embodied co-determination. Because the cooperative structure requires a great deal of work by the executive bodies, we support the elected officers in a wide variety of ways, for example with training courses and professional monitoring within these bodies. The Young Dairy Farmers' Working Group (AKJM), whose 68 committed farmers represent the interests of young farmers on a voluntary basis, has been in existence for more than 16 years.

Against the background of structural change in the industry, the number of dairy farmers has fallen further in the past few years. DMK's suppliers are mainly farms run by families, many of whom have been in agriculture for generations and run their farms in widely varying formats.

It is important to the DMK Group to harmonise the interests of the farmers with the desires of customers and consumers. Milk prices are a crucial factor here. After two challenging business years, DMK paid out an above-average milk price of 36.29 eurocents per kilo in 2017 as an average across the year. This puts DMK in a better position than many of its competitors: according to estimates by the Federal Office for Agriculture and Food (BLE), our milk price was above the German national average and above the average price of eleven dairy industry peers.

**“ In increasingly complex and internationally focused dairy markets, an efficient cooperative remains the right organisation for dairy farmers and intact agricultural regions even in the 21<sup>st</sup> century.”**

*Dr Klaus A. Hein, Managing Director of DMK eG and Chief Agri Business and Member Affairs*

# 7,500 6,800

dairy farmers form  
a strong community

audits took place  
on our farms in 2016–2018

## Resources are carefully handled

Caring for nature begins on the farm and continues at the production sites. Reducing energy and water consumption, emissions and waste at all our sites - that's the task of our Environmental Management department.

DMK works with an Integrated Management System (IMS) which combines the aspects of quality, health and safety, the environment and energy. Nearly all our sites are certified in accordance with the ISO 14001 Environmental Management standard and all are certified in accordance with the ISO 50001 Energy Management standard.

With cutting-edge technologies, the DMK Group continues to optimise water and energy consumption and CO<sub>2</sub> emissions further and further. DMK sites use significantly less water than other dairy companies, as an analysis by the Association of the German Dairy Industry (MIV) revealed: Our specific water efficiency in 2017 was around 1.09 litres per kilo of raw milk intake; other dairy companies in Germany used 2.05 litres. DMK was also able to reduce its absolute water consumption, which fell by three percent across the group within two years. DMK also achieved progress in its sewage treatment. For example, we invested in the modernisation of the factory sewage treatment plants at the Altentreptow and Strückhausen sites. The aim is to be able to treat the sewage more effectively and energy-efficiently and thereby make a further contribution to the objectives of the Europe-wide Water Framework Directive.

DMK was honoured in the German Awards for excellence in the category of Energy Efficiency for its outstanding achievements in environmental protection. The jurors from the certification organisation DQS praised DMK's product-integrated environmental protection (PIUS). This system prevents environmental pollution at source and reduces it along entire production processes. Its effectiveness was demonstrated at the Altentreptow site, for example. An award was received for a new plant for processing different material flows and for heat recovery which enabled a reduction of around 4,700 tonnes of CO<sub>2</sub> and 25,000 megawatt/hours per year. According to current calculations, direct greenhouse gas (GHG) emissions were around 15 percent lower in 2017 than in the previous year for the DMK Group's production as a whole.

DMK was also able to reduce its energy consumption in the past year. A total of around 29 million kilowatt/hours of energy (electricity and gas) were saved by the optimisation of existing processes and the purchase of modern systems. In addition, almost all waste (97 percent) is already sorted by type of material at the DMK sites.

# 97

percent of  
waste is sorted by material  
at the sites

# 1.09

litres of water  
per kilo of raw milk intake  
are used by DMK

# Sustainability is built into our products

DMK's success always starts with milk. We transformed 8.1 billion kilos of raw milk into hundreds of different products in our factories last year. Dairy products are versatile and delicious.

The decisive factors here are top quality and safety. A great deal of work goes into DMK's quality and product assurance every day. A large number of external audits are also carried out in these areas.

In 2017, DMK became the market leader in GMO-free private label products just 18 months after converting its production. More than 2,000 of our farmers have now changed their farms to non-genetically modified feed - and are delivering more than two billion kilos of milk per year. Nine DMK sites and three subsidiaries were certified in accordance with the VLOG standard of the Verband Lebensmittel ohne Gentechnik (the Association for Non-genetically modified food) for this purpose.

Milk production methods are crucial to the eco-balance of our food. Dairy farming accounts for a share of around 70 percent and processing a share of around 20 percent of the ecological footprint of dairy products. DMK is devoting increasing attention to the eco-balance, or life cycle analysis, of its products. For example, we are participants in the European Dairy Association's "Dairy PEF" (Product Environmental Footprint) eco-balance project. In a pilot project at the

Zeven site, DMK also developed methods to identify CO<sub>2</sub> emissions along the value chain. Sustainability in basic raw materials is important to us as well. We now procure virtually all of our cocoa and palm oil from sources certified as sustainable in accordance with the UTZ and RSPO standards. DMK's suppliers of supplies and additives such as cocoa, sugar, fruit and packaging materials acknowledge the DMK Code of Conduct, which contains social and ecological requirements, by signing the company's purchasing terms and conditions.

Packaging, too, is increasingly becoming a focus for consumers and retail partners. DMK has therefore developed a rating system that can compare the sustainability impact of different materials, for example in cheese packaging. We have also now changed 70 percent of our wood-based packaging to the FSC standard, which guarantees sustainable forestry.

**"In the European Dairy PEF Project, a standard method for calculating the environmental footprint in the dairy sector was developed. The DMK Group played a crucial role in this. The project could not have succeeded otherwise."**

*Hélène Simonin, Director Food, Environment & Health, European Dairy Association (EDA)*

# 2.3 93

billion kilos of milk from cattle fed without using genetically modified plants

percent of our cocoa and palm oil comes from sustainable farming



## DMK is one of the best employers

At DMK, people are central. We want to be a fair, secure and forward-looking employer for some 7,700 employees at more than 20 sites. To do this, we create a working environment in which employees feel comfortable, which stimulates them and offers the opportunity for further personal development.

In 2017, we pulled together on the implementation of the organisational realignment. As one of the changes, 1,500 employees of the DMK Group have occupied new roles since then. 50 MOVE ambassadors support the change process in the factories. Our goal is to increase the DMK Group's value added and at the same time remain one of the best employers in Germany.

In Focus magazine's ranking, our employees once more gave the DMK Group top marks and voted it into a top position in 2017, making us one of the best employers in Germany for the sixth year in succession. Our employees particularly praise their interesting tasks, solidarity among colleagues, the friendly working atmosphere and the social security-related benefits. We also support our employees in making work compatible with family life.

The Sedex Members Ethical Audit (SMETA) ensures high social standards for our sites. DMK files information on working standards, health and safety, the environment and business practices in the Sedex database. A SMETA team ensures implementation

of the social standards in practice at the sites. Protecting the health and safety of all employees is also given high priority at DMK. For this reason, DMK has set up a programme for the avoidance of the most frequent causes of accidents. An occupational health and safety management system has been firmly integrated within the company for years - and proved successful: the number of accidents was reduced in 2017 compared to the previous year.

DMK is also committed to developing rising talents in the dairy industry. We strive to train our staff in-house and thereby maintain a high standard of professionally skilled and motivated employees. In 2017, more than 200 apprentices were in training in 15 professions, including typical apprenticeship professions in the dairy industry such as dairy lab technician and dairyman/dairywoman. There are over 100 trainers working at 20 DMK sites, 60 new apprentices start their careers at our company in August 2017.

**“Every employee makes his or her contribution to success. In producing high-quality products, our production staff are the backbone of the company. It is a matter of great importance to us to include everyone in the company's dynamic change processes.”**

*Ines Krummacker, Chief Human Resources Officer*

# 15

different professions can be learned by our apprentices

# 200

apprentices at DMK sites in 2017

## We engage on behalf of rural regions

Regional roots play an important role at the 20 sites where DMK manufactures its products and in the eight large dairy farming regions. As a company, DMK is an important player in these mostly rural areas. The dairy farmers form a central part of rural communities and help to shape them actively.

Every second DMK farm already generates its own renewable energy, mainly using biogas and photovoltaic systems. Nature-lovers can spend holidays on more than 200 farms. Several of these holiday farms are presented on MILRAM's website. At the "Open Farm Days" held by the farmers' associations in the German regions, around 240,000 visitors gained an impression of modern agriculture at DMK dairy farms in 2017.

Around 40 percent of dairy farmers play voluntary roles on behalf of their industry in professional associations or other organisations. Almost 30 percent of farms supervise apprentices or agricultural students.

DMK uses its two Milkmaster Farms to enter into dialogue with decision-makers from industry, academia and the political sphere.

Transparency at DMK also operates in digital form: 18 farmers populate the [www.mykuhtube.de](http://www.mykuhtube.de) website, where interested web surfers can view 500 live videos from the cowsheds - ranging from birthing calves

and driving tractors to climbing silos. Several DMK farmers also show off their farms here.

DMK carries the joint interests of the company and the dairy farmers into the agricultural industry, and contributes actively to discussions about a German milk sector strategy for 2030. The goal is to develop a common strategy for the dairy industry.

In addition, with the formation of IG Milch (an interest group for the cooperative-based dairy industry) in the spring of 2017, a platform was created which mainly discusses cooperatives' interests and develops strategic developments from the debates.

“**Today's society is becoming more and more interested in how milk is produced. The implementation of high standards in the Milkmaster Programme is therefore a top priority for us dairy farmers.**

**We have to explain authentically to the public how we live from our cows, with and for them!**“

*Amos Venema, DMK dairy farmer*

# 712,500

cows supply milk  
for our production

# 2,000

apprentices  
at our dairy farms



Our milk –  
delicious  
variety

# DMK Group: facts and figures

As Germany's largest dairy cooperative, the DMK Group makes milk into foods of the highest quality with around 7,700 employees at more than 20 sites in Germany and the Netherlands. The product assortment ranges from cheese, fresh dairy products and ingredients, baby food, ice cream and health products, to special animal feeds. MILRAM, Oldenburger, Uniekaas and Humana

are brands that enjoy the full confidence of consumers at home and abroad and make the company an established name, both in its home markets and selected target markets around the globe. As the fourth-largest supplier to Germany's grocery retailers and with a turnover of 5.8 billion euros, the DMK Group is also one of the leaders of the European dairy industry.

## 1. OUR VALUE ADDED

**5.8**

billion euros in sales

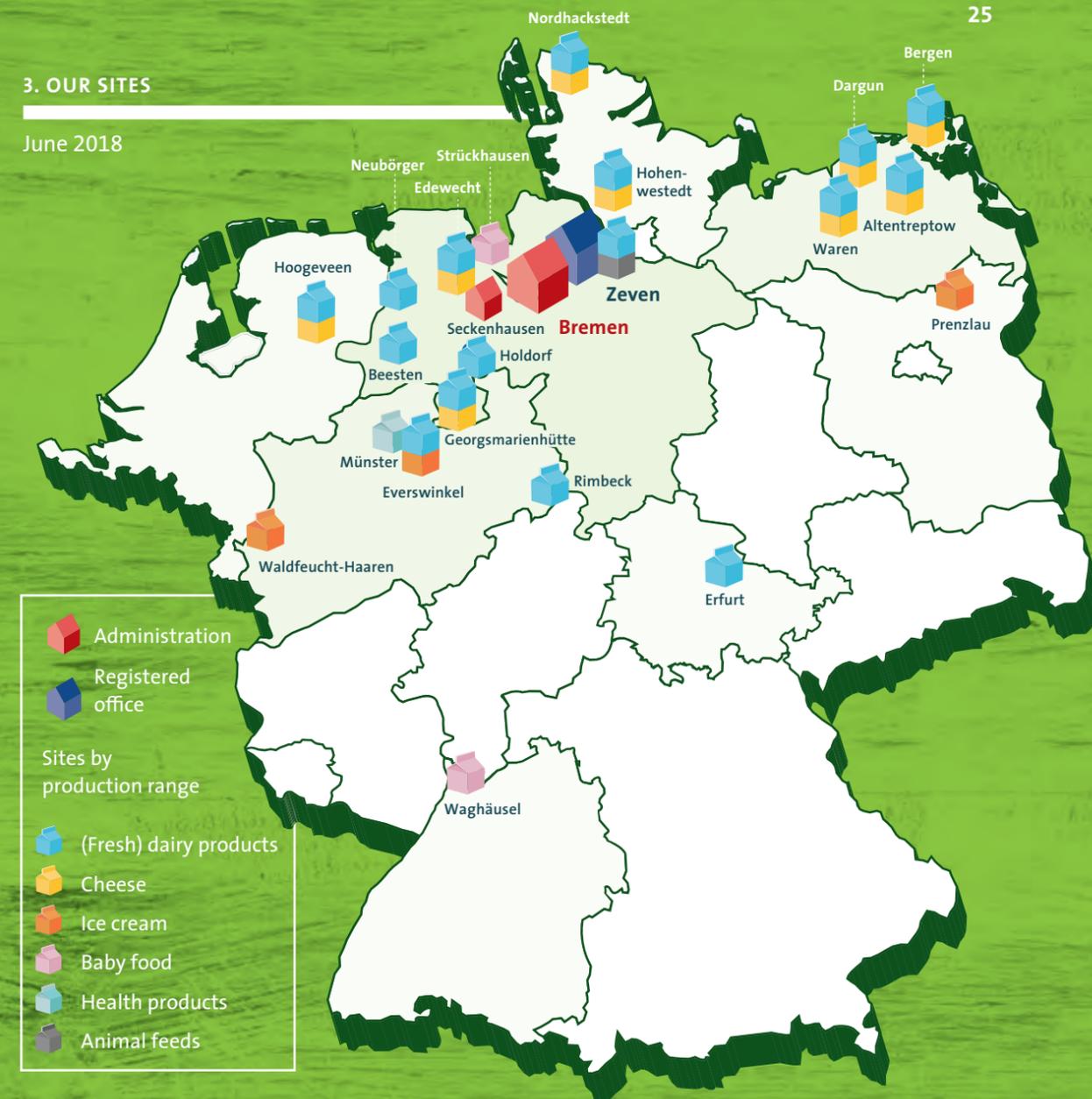


## 2. ORGANISED IN BUSINESS UNITS (BUS)

<p>Private Label</p>	<p>Industry</p>	<p>Ice Cream</p>
<p>Brand</p>	<p>Baby</p>	<p>International</p>

## 3. OUR SITES

June 2018



## 4. THE PEOPLE BEHIND THE DMK GROUP



[www.dmk.de](http://www.dmk.de)

[@DMK\\_Milch](https://twitter.com/DMK_Milch)



---

You will find further information  
in the digital Annual Report  
and Sustainability Report 2017 at  
[www.dmk.de](http://www.dmk.de).

---

