

Sustainability Report

In-depth sustainability work

Sustainability is becoming increasingly important, especially in the food industry. It is therefore important that Midsona maintains control of its operations and resources such that we take responsibility for future generations while being able to help our customers and consumers with their sustainability work.

Midsona's sustainability work

Midsona's work with sustainability is based on the sustainability mission *We help people achieve a healthier life*. Through several of our brands, such as Urtekram, Kung Markatta and Helios, we have products that are leaders in sustainable food.*

Focused sustainability work commenced in autumn 2016. The project was initiated by the Midsona Board and involved both Group Management and representatives from the business areas. As its starting point, the work mainly used the sustainability profile of the Group's priority brands, the aspirations of Group Management as well as key stakeholder perspectives of sustainability issues. Inspiration was gathered from the GRI (Global Reporting Initiative) guidelines.

* Danish consumers voted Urtekram as the most sustainable brand in the Sustainable Brand Index™ 2017 survey. Kung Markatta came ninth in the corresponding voting in Sweden. This is very strong evidence that Midsona is gradually advancing its positions in sustainability.

Sustainability work built on responsibility

Midsona acting responsibly is based on the individual employee's behaviour in the daily operations. As a guide, Midsona has developed several policies and compliance is followed up annually by Group Management. The goal is to review in detail and when necessary revise two to five policies every year.

Midsona's Code of Conduct explains the Group's position in central areas of sustainability. The Code is thereby a central steering document that clarifies how the employees should act and is included as a natural part of the introduction of new employees. Everyone in Midsona is expected to be familiar with its contents.

In 2017, the Group adopted a whistle-blower policy, which makes it easier for employees to report illegal or unethical conduct. The policy is an important tool to quickly call attention to and combat conduct that is not in line with Midsona's values.

Respect for human rights

Midsona supports and works according to international conventions regarding human rights. Midsona does not accept any form of discrimination and respects employee freedoms and rights and in its operations will work to eliminate all forms of forced labour and child labour. This also applies to the Group's suppliers, which must also live up to applicable labour legislation in the respective country. Midsona's work and policies on human rights are described in more detail under the sections *Promoting a healthy lifestyle* and *Product safety and quality*.

A healthy and sustainable culture

Midsona prioritises employee health and safety and offers a creative and developing social working environment. Midsona's work and policies regarding staff and social conditions are described in more detail under the section *Promoting a healthy lifestyle*.

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. The the Group's work and policies regarding the environment are described in more detail under the section *Sustainable use of resources*.

Communication and zero tolerance of 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 Midsona's policies. Midsona's employees are expected to act in an ethical manner in relation to the Group's shareholders, customers and other stakeholders. Midsona's Code of Conduct emphasises that the Group does not accept any form of corruption.

i This section addresses disclosures linked to Midsona's work with the sustainability area *Combating corruption* as per Chapter 6 Section 12 of the Annual Accounts Act (ÅRL). References are also given to sections where other sustainability areas are addressed.

Midsona's materiality analysis

For Midsona, the consumers are the focus. In that the Group's products are a part of the consumers' daily lives, Midsona has a direct impact on their lives and well-being. Therefore, it has been natural in the development of Midsona's sustainability work to proceed from the consumers' as well as other stakeholders' perspective, since it provides crucial insights into what direction the Group's sustainability work should take.

Midsona has worked based on the Global Reporting Initiative's framework (GRI Standards) in the development of the Group's sustainability strategy and report. A central part of GRI is the materiality analysis, which contributes to identifying the most important sustainability issues. The analysis has been the starting point for the process of formulating the direction of Midsona's sustainability work.

The analysis process was begun with several internal workshops with representatives from Midsona's corporate management. The analysis involved the stakeholders' perspectives through a survey based on a web-based questionnaire, where 1,100 consumers expressed which sustainability issues they consider to be most important for Midsona to work on.

Only people who were familiar with one of Midsona's largest product brands were asked. In the analysis, only sustainability issues were chosen that the stakeholders said were of large to very large importance for them. Group Management then did a prioritisation based on the issues' financial, environmental and social impact and their significance to Midsona's business strategy and competitive situation.

In the past year, the sustainability strategy was implemented in the Group. Among other things, this meant that measurement points for the significant sustainability issues were worked out and that a structure for reporting was formulated. In 2017, important steps were taken to introduce a common reporting procedure among Group companies. The work has come far and will continue in 2018 with the goal of being able to present complete sustainability data in accordance with GRI for the entire Group in next year's sustainability report.

Midsona's work with the most significant sustainability issues is presented below.

Midsona's work on the most significant sustainability issues takes place based on the following focuses:

Promoting a healthy lifestyle	Product safety and quality	Sustainable use of resources
<ul style="list-style-type: none"> ▶ Sustainable brands ▶ Fair business model 	<ul style="list-style-type: none"> ▶ Safe products ▶ Responsible purchasing 	<ul style="list-style-type: none"> ▶ Efficient resource use ▶ Transports

Three primary areas of focus

Midsona's sustainability work is conducted towards three primary areas of focus: *Promoting a healthy lifestyle, Product safety and quality and Sustainable use of resources*. The goal of the areas of focus is to help Midsona steer sustainability efforts to the areas where the Group can do the most good and where the sustainability commitments can be carried out in a credible fashion, both for Midsona and its stakeholders. On the following pages, Midsona's sustainability work is described in more detail based on these areas of focus.

Promoting a healthy lifestyle

One of Midsona's foremost goals is to produce sustainable products that help people live a healthier life. Midsona also believes in a healthy culture among its employees and works in several areas to create such a culture.

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 or other investments, while it also serves as the basis for innovation work and product development.

During the year, important sustainability initiatives were taken. The Group has developed and launched several new products where efforts were made to reduce the amount of sugar and increase the amount of fibre in existing products. For example, Dalblads Swebar with lower sugar content.

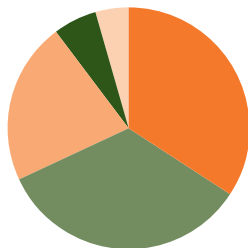
As a further way to promote a healthy lifestyle, Midsona is involved in various events to create social and environmental benefits. The sponsorship is guided by the Group's sponsorship policy. The selection of activities is done based on an agreement with Midsona's values and attractiveness to the Group's mean target groups. In 2017, the brand Dalblads was the main sponsor of all of the races of the competition Toughest, where the competitors were able to try Dalblads' products at the finish line. In addition to this, several sponsorship involvements also take place at a local level, guided by the Group's sponsorship policy.

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



In 2017, 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 most sustainable brand and, in Sweden, Kung Markatta was one of the top ten most sustainable brands.

Employees by business area on the balance sheet date



- Denmark, 132
- Sweden, 130
- Norway, 83
- Finland, 22
- Others, 17

Fair business model

Midsona's sustainability vision should also be reflected at the workplaces. We strive to work for a healthier life, both internally and externally. Therefore, Midsona offers a good working environment, an inspiring corporate culture, health promotion measures and leadership based on open communications and dialogue. This creates a good foundation for success and is above all a prerequisite for Midsona to keep and attract employees in the future.

A welcoming company

A well-planned introduction is important to new recruits feeling welcome and appreciated and quickly being able to perform well. All new employees are informed of Midsona's vision, mission, strategy, the key core areas and policies. Midsona's Code of Conduct is a natural part of the introduction of new employees. Every employee in the Group is responsible for being familiar with its contents.

A developing company

Midsona is to be an attractive company, where the employees feel appreciated and have opportunities for development. The Group's competence and development policy provides guidance in building, developing and maintaining competence in the organisation. The employees are encouraged to develop their expertise in relevant areas and the need for competence development is discussed at regular follow-up talks.

A healthy and sustainable culture

Midsona works actively for employees to have a working environment that is as healthy, creative and developing as possible, with a favourable balance between work and leisure. In 2017, a new policy was developed for the organisational and social work environment. Among other things, this regulates issues that concern work-related stress and work load and clarifies Midsona's and the employees' responsibility for a good and safe working environment. For Midsona, systematic work environment efforts mean creating a work environment that respects the rights of the individual, is stimulating and where there is no risk of becoming ill or injured. All employees are therefore offered a flexibility in their work to the furthest possible extent.

Midsona offers various health promotion activities that increase long-term health prospects for employees. The Group's health policy ensures continuous commitment to improving health at the workplace throughout the organisation. Midsona has the goal of being a tobacco-free workplace and also pays for the employees' tobacco cessation treatment upon request. Employees are also offered the possibility to buy healthy products from parts of Midsona's product range at favourable prices. In every business area, health promotion grants are offered and walk-and-talk meetings are encouraged when possible. The ambition is to include a health promotion activity at internal conferences. The Group also encourages and sponsors the employees' participation in various fun runs and in 2017, employees from three of Midsona's business areas participated in the obstacle course race called Toughest.

An equal-opportunity company

Midsona values the creative dynamic that a workplace characterised by diversity provides.

All Group companies should strive to be an equal-opportunity and inclusive organisation, as stated in the Group's Policy for Organisational and Social Work Environment. Among other things, it states that discrimination of employees based on gender, ethnicity, age, disability, religion or sexual orientation is not acceptable. There is also a plan of action to quickly resolve cases of harassment and discrimination. The employees have a right to be members in labour unions and the right to collective bargaining agreements.

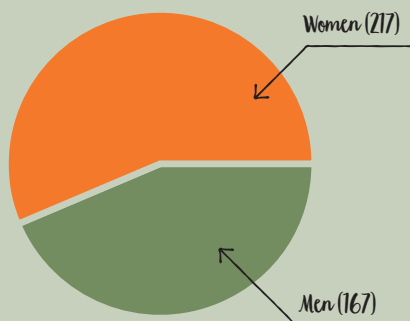
PROMOTING A HEALTHY LIFESTYLE

Midsona's employees

For Midsona, it is important that the employees have a healthy, creative and stimulating work environment, with a good balance between work and leisure. Through health-promoting activities, we improve the conditions for long-term healthy employees and create commitment throughout the organisation.

Gender distribution

On the balance sheet date.



Management

Women: 1
Men: 7



Board of Directors

Women: 3
Men: 4

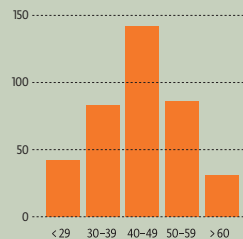
Length of employment

Number of employees. For a comparison to 2016, see page 41.



Age structure

Number of employees.



Employment procedures shall take gender distribution into account.



384

employees



4.64%

sickness absence in the Group.
For detailed data, see page 43.

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 Miljömärkning, Denmark.



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



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

Product safety and quality

The foundation for companies in health and well-being is that the products are safe and maintain a high level of quality. At Midsona, this is ensured through careful controls so that the raw materials included in the products maintain the highest possible quality and are produced under sustainable conditions. The controls take place through a close cooperation with the network of suppliers.

Safe products

Midsona's consumers must be able to rely on the Group's products being safe and maintaining the highest quality possible. Control and documentation of what is included in the food are therefore significant parts of the quality assurance work. It is also a significant factor in Midsona's vision to help people live a healthy life.

An important part of the quality assurance and safety work is to make sure that the products are correctly labelled. A majority of the Group's consumers demand accurate product information, which is something that Midsona has long prioritised. Correct product labelling contributes to the consumers receiving the necessary information on contents and origin that they need to be able to make well-informed choices based on their health and lifestyle.

Midsona's quality assurance work is governed by the business areas' quality policies, which regulate how control and follow-up should be conducted. The Group has long worked with several different certifications, such as KRAV and Fairtrade. They place among other things requirements on how the Group works with both purchasing and quality controls. By the certifications being visible on the product packages, the consumers get further guidance in the purchase decision.

Responsible purchasing

Midsona's controls of purchasing are based on the Group's close relationships with its suppliers and broad knowledge of health. This ensures that Midsona's products hold an even, high quality. Midsona's supplier control is also an important tool in setting clear requirements on the suppliers' work environment and environmental impact.

In 2017, an important step was taken in Midsona's sustainability work. A shared Nordic supply chain organisation was implemented as part of Midsona's strategy of establishing an efficient and sustainable value chain. The organisational change will gradually support the commercial operations better and lower the cost level with, for example, shared purchasing and transport. This will particularly make it possible for the Group to set higher requirements on the supply chain. The objective is to improve important processes in the Group that in turn can contribute to the Group's sustainability work being able to be conducted successfully.

Safe products also mean that the production should take place in a safe and responsible manner. In the past year, Midsona developed a Group-wide Supplier Code of Conduct that will clarify the expectations on the suppliers' work based on a sustainability perspective. The policy addresses areas such as human rights/labour law, business ethics and animal husbandry. The Group-wide Supplier Code of Conduct will be under further development in 2018 and will constitute an important component in the relationship with the Group's suppliers.

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 (ÅRL).

Sustainable use of resources

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 control that the operations use resources in a sustainable manner so that people will be able to live and feel well in the future as well.

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 (ÅRL).

Efficient resource use

Emissions and energy consumption affect the environment and thereby people's health and well-being. Midsona wants to help people live a healthier life and it is therefore important that the Group take responsibility for both production and products having the least possible negative impact. This is stated in the Group's environmental policy, which also forms the basis of the work to seek new production methods and packaging solutions.

Midsona's environmental efforts

In line with Midsona's environmental policy, source sorting and recycling now takes place at all of the Group's offices and double-sided printing has been introduced as a standard. Midsona's head office in Malmö has shifted to a supplier of sustainable office supplies. During the year, the move was completed of the Group's Norwegian organisation into Oslo's greenest office building – The Monier – which is certified according to BREEM-NOR Very Good.

Active work in several areas of sustainability takes place at the Group's existing offices, production locations and warehouse facilities. Several projects linked to waste, water, energy, materials and transports were initiated in 2017 and are continuing in the upcoming year. An important part of these various efforts is the Group-wide measurement structure that is being implemented in the organisation. The work to put the structure into place is continuing and the goal is to be able to report complete sustainability data, linked among other things to the environment, in the 2018 sustainability report.

Several efforts in the environmental field bore fruit in 2017. Business Area Denmark shifted to electricity production and 20,000 kWh of renewable electricity was produced through solar cells in 2017. In Denmark, all lighting was also switched to LED lamps in the warehouses, which provided savings of around 60,000 kWh in 2017. Midsona's warehouse in Örebro signed an agreement during the year with GodEl, which means that the operation is now run on 100 percent renewable energy.

Sustainable initiatives

Midsona Denmark's cooperation with the Vegetarian Society of Denmark was deepened in 2017. The objective of the cooperation has been to strengthen the interest in vegetarian food and at the same time, increase awareness of the Group's products. The cooperation has contributed to supporting the growth of Nutana's vegetarian meals and Urtekram's vegan products. The organisation's logo is now visible on these brands' packaging.

Midsona welcomes the vegetarian trend





Midsona is a member of the paper recycling organisation FTI (Förpacknings- och tidningsinsamlingen) and the package recycling organisation Returpack.

Environmental and health consideration is a natural part of the Group's product development. In 2017, several products became KRAV and Fairtrade labelled, which means that the production takes into consideration both the environmental impact and the working conditions on site at the producers. Examples of products that became Fairtrade labelled during the year are parts of Kung Markatta's range of green tea.

In 2017, a project was begun to develop the Group's innovation processes linked to packaging solutions. The selection of packaging reflects a central role in the food industry and affects a wide number of aspects concerning the food's sustainability, quality, storage and transport possibilities. The goal of the project is to create and distribute important efficiency and sustainability gains within the entire Midsona Group. Through new packaging innovations, the project will primarily reduce the Group's transport costs and through improved recyclability at the same time contribute positively to the consumers' own environmental impact.

Both Kung Markatta and Urtekram have made important efforts for several years to find and develop sustainable packaging. Cooperation takes place today with organisations such as KRAV, Nordic Swan Ecolabel, Ecolabel, FSC (Forest Stewardship Council), FTI (Förpacknings- och tidningsinsamlingen), SGÅ (Svensk Glasåtervinning) and also Returpack.

Transports

Within the food industry, freight transports are often the largest source of environmental impact. Midsona's largest possibility of being able to contribute to people being able to live a healthy life is by producing and selling its products and that they are available to the consumers every day. Since this means a constant flow of products, Midsona works actively on the transport issue to reduce the impact this entails on the environment.

Midsona's new supply chain organisation* will also contribute to the Group being able to streamline its flows of goods on a Nordic level. Through a common structure, Midsona is estimated to take a broader approach to the work with important sustainability issues, including that linked to transports.

Transports not only involve goods, but also people. In 2017, the Group resolved to conduct training in eco-driving for all sales personnel, starting in Sweden and Denmark. In addition to this, all employees are offered the opportunity to borrow bicycles at local meetings.

To reduce Midsona's general travel needs, video conferencing equipment was introduced as a standard at the Group's offices. In 2017, a number of Nordic Group projects were conducted. Thanks to the video conferencing equipment, the Group has been able to make significant travel savings that entailed a generally reduced environmental impact at the same time that the effectiveness in the project was able to be preserved.

* Read more about Midsona's supply chain organisation on pages 32–33.



Urtekram's honey and cocoa are both Fairtrade labelled.

Sustainable initiatives

Green Kitchen Stories inspired with vegetarian in the climate/food fight



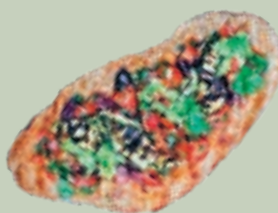
Kung Markatta's initiative for more vegetarian and less food waste

In 2017, Kung Markatta took two important initiatives for health and the environment.

With the climate/food fight, the goal was to challenge the Swedish people's dinner favourites and inspire more vegetarian alternatives in everyday life. Therefore, four inspiring culinary innovators were asked to present their two best vegetarian dishes that suit a regular weekday dinner. The Swedish people were also asked to share their best suggestions to get more vegetarian options into the everyday puzzle.

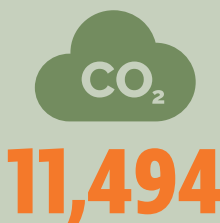
Together with Green Kitchen Stories, Kung Markatta developed a number of good, organic meals that are easily converted into a new dish the next day. The aim was to give consumers inspiring suggestions on how to use yesterday's leftovers for new meals and thereby avoid throwing out food unnecessarily.

Grilled flat bread from the Vegetarian Grill School



Kung Markatta's carbon offset

For the past several years, Kung Markatta has done careful calculations of the environmental impact from its freight and person transports. The calculations take into account transports by air, road and sea and employee business travel. This information then forms the basis for Kung Markatta's carbon offset efforts, which are shown on the company's products.



Tonnes carbon dioxide emissions in 2017.

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 2017–31 December 2017 on pages 46-55 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 2018

Deloitte AB

Per-Arne Pettersson
Authorised Public Accountant