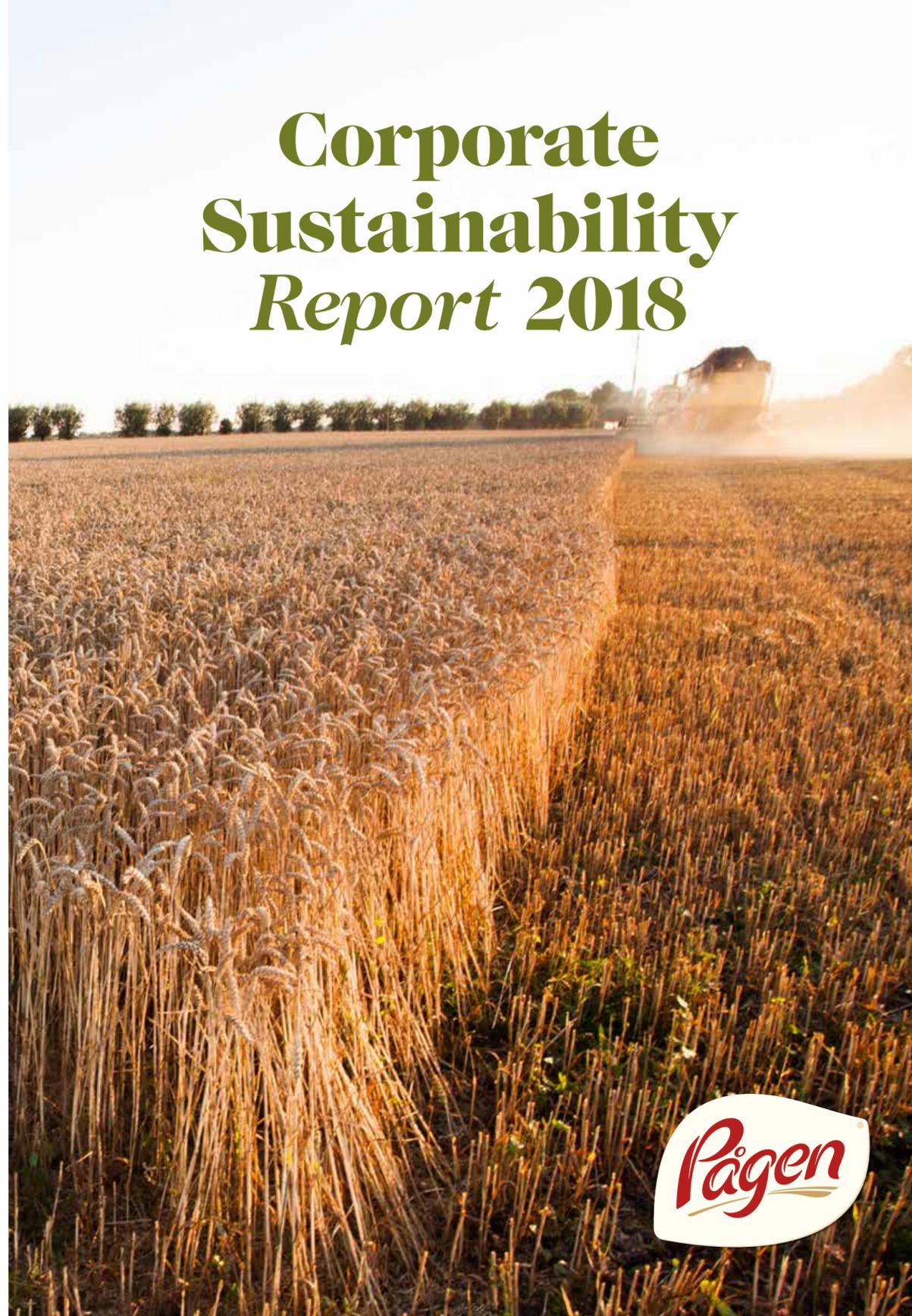


# Corporate Sustainability Report 2018



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# Pågen's priority issues and sustainability objectives 2019 onwards

## Progress and results

PRODUCTS		
<ul style="list-style-type: none"> <li>♥ We shall continuously work to reduce sugar content without compromising on quality and product taste.</li> <li>♥ Our range shall offer healthy products with keyhole labelling and high whole grain and fiber content.</li> </ul>	<b>Health</b>	<ul style="list-style-type: none"> <li>✓ One quarter of our bread is unsweetened, i.e. without added sugar that is not used to process the yeast.</li> <li>✓ Half of our bread has a whole grain content (calculated on dry substances) of over 25%.</li> <li>✓ One third of our bread is rich in fiber, i.e. has a fiber content of over 6g/100g of product.</li> <li>✓ During 2018, we launched two new unsweetened types of bread and reduced sugar in two types of bread (Gott Gräddat -30% and Surdegsgoda -14%).</li> </ul>
RAW MATERIALS AND INGREDIENTS		
<ul style="list-style-type: none"> <li>♥ We shall work to develop commercially sustainable Swedish agriculture.</li> <li>♥ We do not allow grain from fields that have been sludge fertilized.</li> <li>♥ We do not allow wheat grown with straw shortening agents.</li> <li>♥ We shall work actively to develop rye that does not require straw shortening agents.</li> </ul>	<b>Cereal cultivation</b>	<ul style="list-style-type: none"> <li>✓ Uses only grain from fields that have not been sludge fertilized (since 2010).</li> <li>✓ Uses only wheat grown without straw shortening agents (since 2011).</li> <li>✓ 30% of the rye used in baking 2018 was grown without straw shortening agents.</li> </ul>
<ul style="list-style-type: none"> <li>♥ We shall use ingredients grown and manufactured in Sweden as far as possible.</li> <li>2021: Swedish ingredients shall account for at least 90% of the purchased volume for our bakeries.</li> <li>♥ We shall only use palm oil certified according to RSPO's standard for the production of sustainable palm oil (certified segregated).</li> </ul>	<b>Ingredients</b>	<ul style="list-style-type: none"> <li>✓ 96% Swedish grown flour (2018).</li> <li>✓ 84% Swedish grown ingredients (2018 (despite extreme drought), 88% 2017).</li> <li>✓ 92% in-house produced yeast (2018).</li> <li>✓ 100% RSPO-certified palm oil (since 2016).</li> <li>✓ Decision to only use eggs from free-range hens from Nov 2019.</li> </ul>
<ul style="list-style-type: none"> <li>♥ We shall only use recyclable packaging.</li> <li>♥ We strive to use renewable and biodegradable biomaterials.</li> <li>♥ We shall work continuously to reduce our material consumption.</li> <li>2019: We will reduce the amount of plastic per bread bag by 10%.</li> </ul>	<b>Packaging</b>	<ul style="list-style-type: none"> <li>✓ 100% recyclable packaging.</li> <li>✓ Less plastic in bread bags by switching to thinner materials and optimizing the format.</li> <li>✓ Joined DLF's plastic initiative that plastic packaging should be recycled by 2022.</li> </ul>
<ul style="list-style-type: none"> <li>♥ We will continuously evaluate our suppliers in terms of safety and sustainability.</li> <li>2019-2021: Carry out supplier assessments with a focus on sustainability and traceability (origin, production and cultivation).</li> <li>2019: We're will perform at least five supplier audits.</li> </ul>	<b>Suppliers</b>	<ul style="list-style-type: none"> <li>✓ 5 of 24 raw material suppliers were audited on site (2018).</li> </ul>
BAKERY		
<ul style="list-style-type: none"> <li>♥ We shall bake safe products and work for systematic quality and improvements.</li> </ul>	<b>Product safety</b>	<ul style="list-style-type: none"> <li>✓ Our bakeries are certified in accordance with the food safety standards FSC22000.</li> </ul>
<ul style="list-style-type: none"> <li>♥ We will continuously strive to make our bakeries more energy efficient.</li> <li>♥ We shall use renewable energy sources as far as possible.</li> </ul>	<b>Power Consumption</b>	<ul style="list-style-type: none"> <li>✓ 100% renewable electricity (hydropower) and gas (biogas) purchased for both bakeries.</li> <li>✓ 15% reduced electricity consumption per baked consumer packaging in our bakeries (2013-2018). 3% reduction in 2017-2018.</li> </ul>
<ul style="list-style-type: none"> <li>♥ We will minimize the amount of waste products in our bakeries.</li> <li>2019: Max 2% bread waste from our bakeries.</li> <li>♥ 100% of our scrap to be reused in our yeast production alternatively turned to bioethanol or animal feed.</li> </ul>	<b>Waste</b>	<ul style="list-style-type: none"> <li>✓ 2% bread waste in our bakeries (2018).</li> <li>✓ 100% of bread and dough waste reused or recycled.</li> </ul>
<ul style="list-style-type: none"> <li>♥ We shall work towards local collaboration with players in the area and local authorities to create a sustainable local environment.</li> <li>♥ We shall continuously work to reduce noise and emissions to air and water during extensions or renovations.</li> </ul>	<b>Local environment</b>	<ul style="list-style-type: none"> <li>✓ Active dialogue with local authorities and decision-makers to create a common view of the area's development.</li> <li>✓ Implemented measures to reduce noise (2018).</li> </ul>
DISTRIBUTION		
<ul style="list-style-type: none"> <li>♥ We are working to make fuel for our transport fossil-free by 2030. (Li's manifesto)</li> <li>2019: 50% of our vehicles shall use HVO fuel.</li> <li>♥ All salespersons must be trained in eco-driving to reduce fuel consumption.</li> <li>♥ We require co-transport for long-distance deliveries.</li> </ul>	<b>Transport</b>	<ul style="list-style-type: none"> <li>✓ 34% renewable content of refueling liters of fuel (2018, 29% 2017).</li> <li>✓ All salespeople trained in eco driving.</li> </ul>
SALES		
<ul style="list-style-type: none"> <li>♥ Our returned bread from stores should be part of a circular process.</li> <li>♥ We will work continuously to reduce the amount of bread returned.</li> </ul>	<b>Returned bread from stores</b>	<ul style="list-style-type: none"> <li>✓ Our returned bread is recycled into yeast, animal feed or bioethanol.</li> <li>✓ 7% reduction in returned bread (2018).</li> </ul>
<ul style="list-style-type: none"> <li>♥ We shall provide bread with a long shelf life and quality to reduce the risk of food waste in the homes.</li> <li>♥ We shall help consumers reduce food waste at home by informing them about the real shelf life of our bread and how best to interpret its sell-by date – smell, taste, feel and look.</li> </ul>	<b>Bread waste from consumers</b>	<ul style="list-style-type: none"> <li>✓ Clean bakery, strict hygiene rules and freshly baked products packed in bags quickly without anyone touching them gives a long shelf life with no mold growth.</li> <li>✓ Sourdough in bread gives great taste and provides fresh products with a long shelf life.</li> <li>✓ Implemented on our packaging: "Our bread often tastes good even after its sell-by date. Trust your senses and look, smell and taste before you throw a good loaf of bread away."</li> <li>✓ #to the last crumb #tillsistasmulan).</li> <li>✓ Recipes for using dry bread on our website and social media.</li> </ul>
CO-WORKERS		
<ul style="list-style-type: none"> <li>♥ We will work to increase commitment from our co-workers.</li> <li>2021: 90% response rate for our annual engagement measurement.</li> </ul>	<b>Values</b>	<ul style="list-style-type: none"> <li>✓ Engagement index of 3.12 on a 4-degree scale (entire Pågen group, 2018).</li> <li>✓ 78.5% response rate in engagement survey (2018).</li> </ul>
<ul style="list-style-type: none"> <li>♥ We will continuously strive to increase healthy workers.</li> <li>2019 96% healthy workers (attendance).</li> </ul>	<b>Health</b>	<ul style="list-style-type: none"> <li>✓ 95.4% healthy attendance (2018).</li> </ul>
<ul style="list-style-type: none"> <li>♥ All managers shall regularly attend training in work environment at least every third year.</li> <li>♥ All co-workers must conduct performance appraisals annually.</li> </ul>	<b>Work environment</b>	<ul style="list-style-type: none"> <li>✓ 90% of our managers have undergone work environment training (until 2018).</li> </ul>

## We care about the future

Pågen has provided Swedish homes with tasty, fresh bread for over 140 years. The core of our business is about baking with love and fostering a genuine baking tradition. This characterizes everything we do - from the choice of raw materials, where they are grown and who grows them, to recipe making, baking and delivering bread.



In 2018, we built a new loaf line in our Malmö bakery. It was one of our biggest ever investments and our commitment to baking tasty fresh bread in a resource-efficient way. As part of the project we invested in an expanded sourdough facility in the bakery and a new raw materials warehouse.

The extremely hot and dry summer of 2018 posed major problems and challenges for our Swedish growers. Despite tough conditions, we chose to stick to our strategy of prioritizing Swedish ingredients and succeeded in reaching 96% of Swedish flour and a total of 84% Swedish raw materials in our production.

Working in a circular way to minimize food waste is a major part of our business. We work primarily to prevent any waste in our bakeries, in stores and, not least, in the homes where most waste occurs. Secondly, we focus on reuse and recycling. All our packaging is recyclable.

Our goal is to continue baking bread for many generations to come, with great care about our shared resources, co-workers and consumers, and our world around us.

We are a family business and having a long-term approach is natural for us – that our business is financially, environmentally and socially sustainable, both now and in the future. This requires courage, commitment and a great sense of responsibility from all of us.

We work with great focus throughout Pågen on our priority areas, which are:

- Contribute to the development of commercial and sustainable agriculture in Sweden by using Swedish raw materials with high standards as far as possible.
- Work long-term for a circular food system where we reuse as many of the waste products as possible.

Anders Carlsson Jerndal,  
CEO Pågen och Pågen Färsbröd AB

# About Pågen

Pågen is Sweden's leading bakery selling naturally good packaged fresh bread, Giffjar, Krisprolls and cakes. We are a family business with a tradition of baking that goes back to 1878, when Anders and Matilda Pålsson started to bake and sell bread from their home in Malmö in Southern Sweden.

Pågen started out as a small bakery and the same genuine knowledge still characterises the way we bake, even if it is on a much bigger scale. Today we have two bakeries, one in Malmö and one in Gothenburg, where our skilled bakers bake every day. We bake for future generations – what we bake we want to be able to give our children.

Pågen has around forty different types of bread in our range. Among them famous brands like LingonGrova and Hönökaka, and the best-selling pastry in the Nordic region – Giffjar. We also bake hotdog and hamburger bread and the world's most popular Swedish toasts – Krisprolls. We bake around sixty different products.

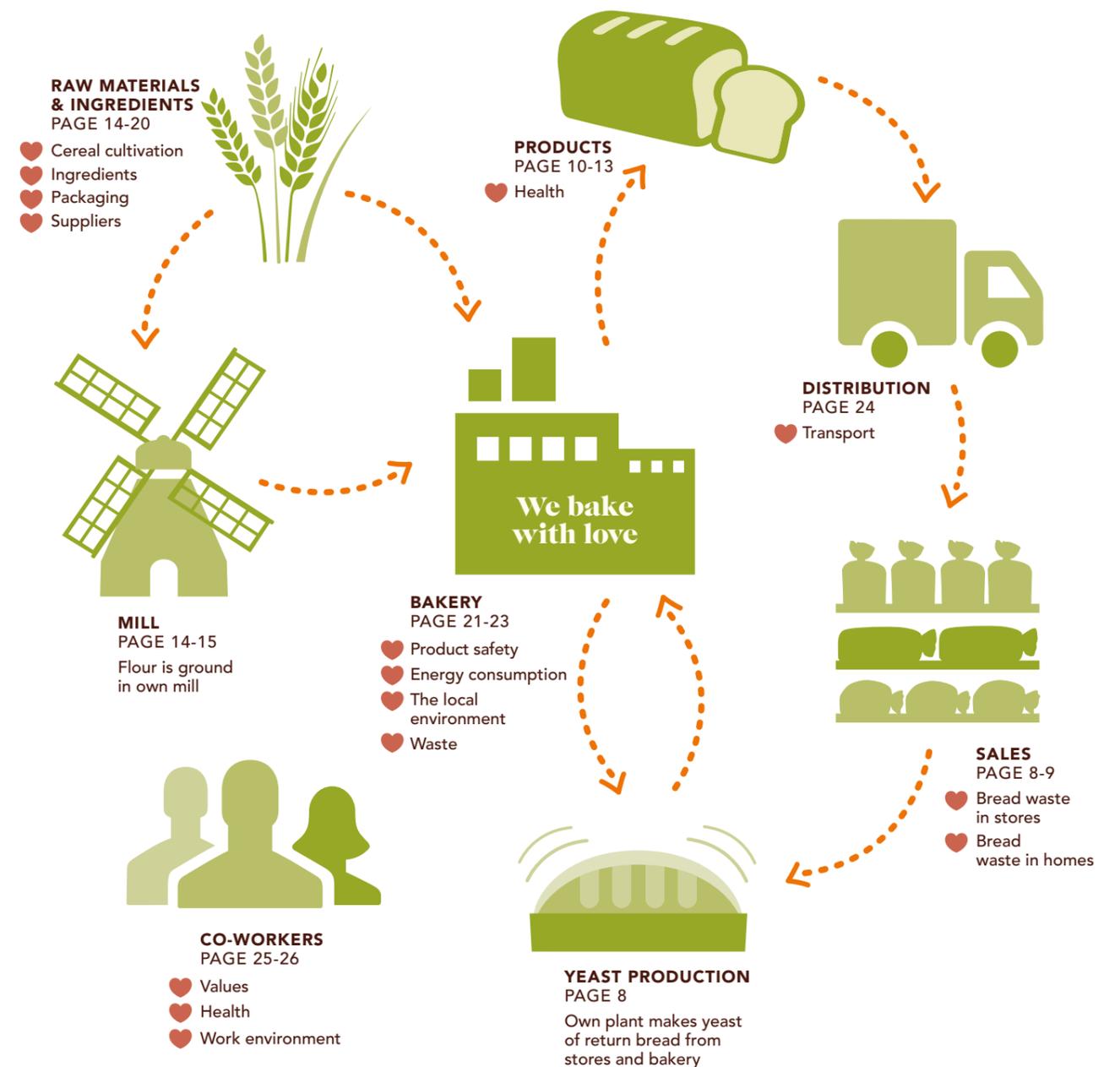
## PÅGEN IN BRIEF

<b>Business idea</b>	Pågen bakes, develops and markets a fresh range of bakery products that are distinct, affordable and the consumer's clear choice.
<b>Vision</b>	To be a natural part of all occasions.
<b>Mission</b>	We bake for future generations.
<b>Markets</b>	We sell bread in Sweden, Denmark, Finland, Norway, Iceland and Germany and export Giffjar and Krisprolls to around 25 countries.
<b>Production</b>	Bakeries in Malmö and Göteborg.
<b>Head office</b>	In Malmö, in adjacence to the bakery.
<b>Financial information</b>	Turnover 3,3 billion SEK (whereof 2,7 billion SEK within Pågen AB).
<b>Full-time employees</b>	1447 (whereof 654 within Pågen AB).

# A sustainable business model

Pågen has baked bread for over 140 years, something we want to continue for years to come. Long-term sustainability work is a matter of course for us. For Pågen it's all about baking with love - when we choose raw materials, when we bake and when we transport our bread from our bakery to the shop. It means caring for our consumers, co-workers and the world around us.

The image describes our business model and gives an overview of our most important sustainability areas for each part of the business, focusing on the bakery. This is the basis for how we conduct our sustainability work and how we present the work in this sustainability report.



You can find a summary of Pågen's sustainability objectives on the inside cover. Details of the sustainability work within each part of the business are in upcoming chapters, see the page reference in the model.

# Sustainability work is about a holistic approach

What we bake every evening and night is on many people's table the next day - for breakfast, a snack, lunch, coffee or dinner. Working with fresh products means everything happens here and now. It is therefore very important to have a clear process and control over the entire chain from how grain is grown and ground to flour in our own mills, to the bread consumers buy in the store.



Sustainability is an important part of everything we do, and a holistic approach is crucial to our business. Pågen has worked with sustainability for a long time and we always think in a resource efficient way. But we have not always been so good at telling people what we actually do.

Last year's sustainability report was our first. Besides showing our views and our continuous work in sustainability, it has had a positive effect within the company. More co-workers have noticed the efforts that take place outside their own business area and many people have expressed pride in what we do.

Bread is climate-smart food made up of plant-based ingredients, which is confirmed by the climate calculations of our products. It shows that bread is comparable to pasta, legumes and other vegetable foods. Climate calculations also demonstrate the impact of the various parts of our value chain, which in turn forms a basis for our priorities in sustainability.

Other benefits of bread are that it contains lots of nutrients, such as whole grains and fiber, which have a positive impact on our well-being. A lot of our bread contains whole grains, which is the dietary factor seen to be the main preventer of ill health. Whole grain reduce the risk of public health diseases such as diabetes, colon cancer and cardiovascular disease. The majority of us eat too little whole grains, but lately, whole grains

have received the attention they deserve, and we see that interest in eating whole grains as part of a healthy diet is increasing

Our sustainability work is constantly progressing, and during 2018 we have developed our sustainability objectives and divided them into long-term strategies (our cornerstones) and fixed term, measurable sustainability goals. You will find an overview of these on the inside cover.

The common theme is our work for a resource-efficient, circular and sustainable food system. Our efforts are about consuming no more resources than necessary and choosing sustainable raw materials. In 2018, we have had a strong focus on the origin of the raw materials we use and strengthened contacts with our suppliers to ensure where and how they are produced and to make correct risk assessments.

Our pursuit of a circular system means constantly minimizing the occurrence of waste and having good methods and systems for reuse or recycling. All waste is already handled circularly in our bakeries and stores. The big challenge is to reduce food waste in homes where most waste occurs. The central point for us is to be able to offer products that stay fresh and tasty for a long time and help increase the awareness of bread and sustainability.

Helena Havglim,  
Quality and Sustainability Manager Pågen AB

## Our sustainable and circular food system

Pågen's aim is that the materials we use shall be sustainable and have as little environmental impact as possible. At the same time, we always strive to be economical and not use more resources than our business requires. We use circular thinking where we constantly strive to minimize the amount of leftover products that cannot be reused or recycled.

### Resource Efficiency

We work continuously to keep the amount of materials we consume to a minimum and do not use more than necessary to develop, bake and promote tasty fresh products. Regardless of what materials we use, they always require resources to produce and transport, and consuming less saves on the environment, time and money.

For example, we work actively to use less plastic in our packaging (page 19) and to keep energy consumption to a minimum in our bakeries (page 21). In addition to reduced food waste, our bread recycling also generates major sustainability gains by reducing the use of raw materials.

### Sustainable options

Choosing sustainable raw materials is always a priority for our business, not least because the products' carbon footprint mainly come from our ingredients. That is why Pågen prioritizes Swedish ingredients as far as possible (p16) and the flour we bake comes from our own mill – Swedish grain growing nearby and among the cleanest in EU (page 14). Our bread offers a low carbon footprint (pages 10-11) and contains only vegetable ingredients.

Our own yeast and sourdough are important for taste and quality and because they are more sustainable alternatives (page 16). We use only renewable energy in our bakeries and our switch from natural gas to biogas has greatly reduced the part the bakery plays in the carbon footprint of our bread (page 21).

### Reuse and recycle

Pågen works with fresh food and a certain amount of leftover product is inevitable. Firstly, we want to reuse or recycle waste products in a new way.

A good example of this is our unique system where unsold bread and bakery leftovers are recycled in our own yeast production (page 8-9), and our method of reusing leftover dough in baking (page 23). Other bread and baking leftovers are recycled into animal feed or bioethanol and all our packaging is fully recyclable.

### Reducing waste

One of the most important sustainability issues in the food industry is to reduce food waste. The vast majority of food waste comes from consumers, which is why we have a strong focus on offering fresh bread with a long shelf-life.

We also work with inspiration and information to stop edible bread ending up being thrown away. We work constantly to minimize the risk of waste in our bakeries and in the shops. Despite our efforts we still get waste products, which we take care of in our circular system for bread. (pages 8-9).

# The bread lifecycle

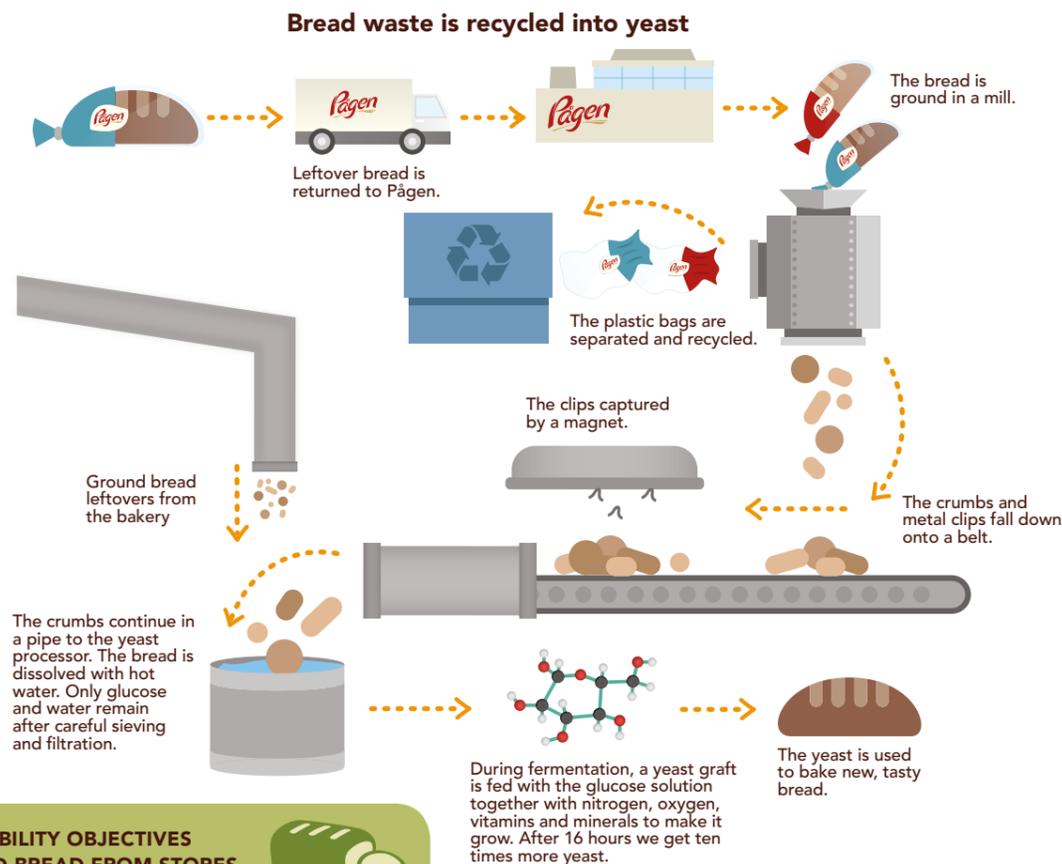
One of Pågen's prioritized sustainability areas is working towards a circular food system where we use as much of the leftover products as possible. We already have a circular process in the bakeries and for our bread in stores. The major challenge is to reduce the amount of food waste in the home, where the biggest part occurs.

## Returned bread from stores

Our customers, consumers and ourselves have an interest in and a responsibility to reduce the proportion of food being wasted. What makes bread different from other fresh foods in Sweden is that the supplier takes responsibility for bread wastage in store. We think this is positive because it enables a circular system, which we already practice.

Pågen brings back all bread that has not been sold from Swedish stores. We have a unique system for reusing bread in our own bakery, see below. The returned bread we cannot handle in yeast production is recycled into animal feed or bioethanol.

Our target is to reduce the proportion of returned bread. During 2018 we reduced the amount by 7%. We work actively to plan deliveries to minimize waste and remove products from our range that have high return levels. We also work on the range in each store to minimize returns by using the shelf surface and its filling degree. The fresher bread is on the shelf, the less returns from the store and the less food waste in the home.



### SUSTAINABILITY OBJECTIVES RETURNED BREAD FROM STORES

- ♥ Returned bread from stores should be a part of a circular process.
- ♥ Continuously work to reduce the amount of bread returned.

## Recycling bread waste in the bakery

Some waste is inevitable in bakeries. Pågen strives to minimize the amount of waste as far as possible and manage to keep it to comparatively very low levels.

There will always be leftover dough when baking portion products that are punched or cut. These dough leftovers are reused into new dough in a circular flow in the bakery (see example from Gothenburg Bakery on page 23).

There are always some leftovers from baked bread in the bakery, edges that are removed or bread that has been wrongly baked for some reason. Our circular system ensures that waste is recycled into yeast which we use to bake new bread.

Leftovers we cannot reuse or recycle in our bakeries are recycled into animal feed or bioethanol.



## Food waste at home

We bake bread for people to eat, not to throw away. It is important for us that fresh bread has a long shelf life so that consumers have a longer time to consume it at home. As Pågen's bread has not previously been frozen, all or part of the bread can be frozen at home. Surveys show that 70% of people don't like refreezing previously frozen bread (YouGov May 2017).

We constantly work on freshness – that bread should taste and be experienced fresh as long as possible. Pågen doesn't use preservatives in any bread. The long shelf life depends on a very good standard of hygiene and handling in our bakeries (page 21 and that we use sourdough (page 18) which has a preservative effect in our bread.

We help consumers to become more aware about the sustainability of bread and how best-before labeling should be interpreted in different ways. We urge people to feel, smell and look at bread before throwing it away and give tips on how to use old bread.

Our pre-packed bread is sliced, which means less waste. People who choose to freeze our bread can take out as much as they need for the occasion. We also have a range with different sizes to suit different households.

### SUSTAINABILITY OBJECTIVES BREAD WASTE FROM CONSUMERS

- ♥ Provide bread with a long shelf life and high quality.
- ♥ Help consumers reduce food waste at home by informing them about the real shelf life of bread and how best to interpret its sell-by date.

# Sustainable products

From a sustainability perspective, bread has a low climate footprint and several healthy qualities, such as containing fiber and whole grain. Pågen has a wide and varied range of almost 60 different products to offer something for everyone.

## Bread is climate-smart food

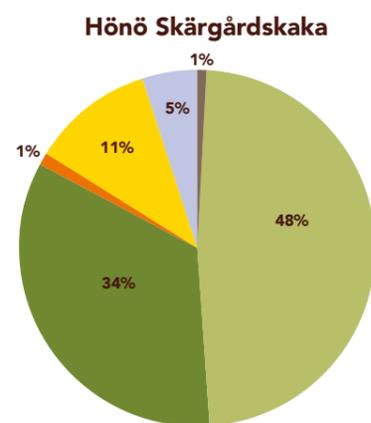
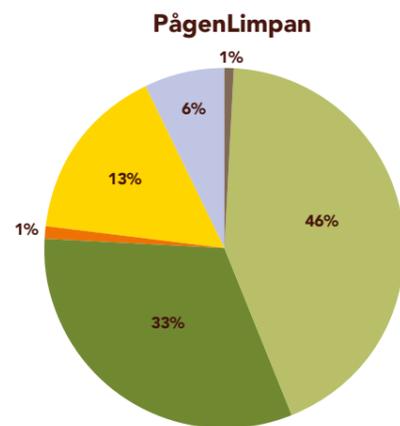
Bread is one of our most climate-smart foods and has a similar climate footprint to legumes, pasta and other plant-based foods. This is because bread is baked with vegetable ingredients. Bread from Pågen has a low carbon footprint because it is baked mainly using Swedish grains which have a low climate impact. This is partly because of the high ratio of raw material per farmed area and through high environmental requirements on cultivation.

### Carbon footprint from Pågen's bread

We have let RISE (Research Institutes of Sweden) calculate the carbon footprint for some of our bread on two occasions, from the cultivation of raw materials to bread being delivered to the store. In 2016, the bread

analyzed was JätteFranska, LingonGrova, KärnSund and PågenLimpan, and in 2018 PågenLimpan and Skärgårdskaka. The carbon footprint of a product is calculated using the lifecycle analysis method (LCA), with the sole focus on climate impact. An LCA quantifies a product's potential load of various environmental impacts throughout its lifetime.

PågenLimpan is baked in the Malmö bakery and Höno Skärgårdskaka in Gothenburg, but despite using two different bakeries and different methods, the distribution between the different parts of the climate load is equal. PågenLimpan is baked like a loaf while Skärgårdskaka is stamped out as breadcakes, which creates dough waste. We use a recycling process for dough waste so as not to create unnecessary waste, (page 23).

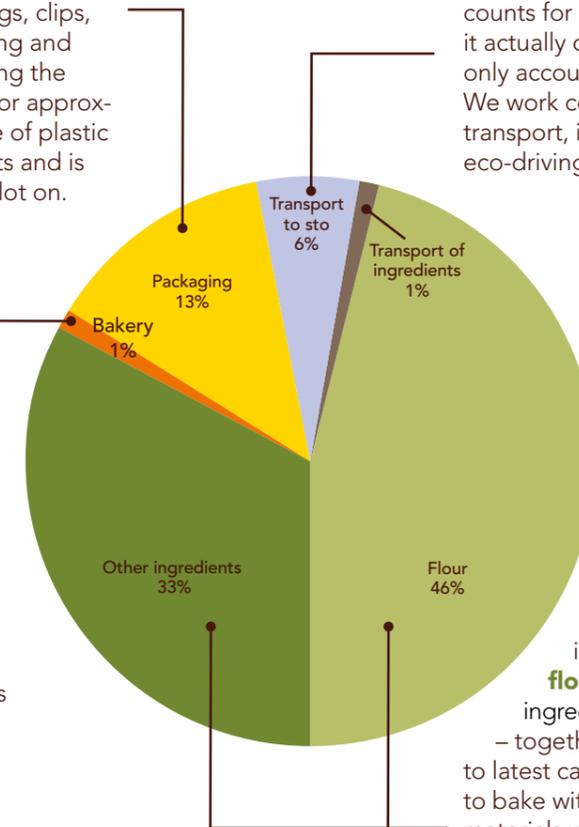


Bread with low carbon footprint and vegetable ingredients.

We want to prioritize the areas in our sustainability work where we can make the biggest difference. The calculations show where we have the greatest opportunity to reduce our products' carbon footprint.

Climate impact from **packaging** is 13%. Packaging includes plastic bags, clips, cardboard and plastic wrapping and a top sheets used when loading the pallets. Plastic bags account for approximately only 2-5%, but the use of plastic has other sustainability aspects and is therefore an issue we focus a lot on. (Page 19)

In 2016, the **bakeries'** share of climate impact was 13% and had fallen sharply to 1% in 2018 (page 21). The main reason for the reduction is that we have switched from natural gas to biogas for heating ovens and premises. We use 100% renewable electricity and bake very energy efficiently, which makes it climate smarter to buy ready-made bread compared to baking your own at home. (Pages 21-22)



Many people believe that **transport** accounts for a greater part of climate impact it actually does. The study shows that it only accounts for 6% of climate impact. We work continuously towards sustainable transport, including fossil-free fuels and eco-driving. (Page 24)

Our climate calculations show that the largest individual contribution to the climate impact of bread comes from **flour**, which is also the largest ingredient, and from **other ingredients** – together an average of 79% according to latest calculations. That is why we choose to bake with locally grown Swedish raw materials which have a low climate impact, one of our most important issues in sustainability work. (Pages 14-17)

### Sandwich meal vs. plate meal

In a previous study we compared a sandwich meal with a plate meal with the same nutritional and energy content. Results showed that sandwich meals were in many cases a better choice with less climate impact.

### Fresh vs. frozen

88% of Swedish consumers think that bag-packed bread should be fresh when you buy it (YouGov May, 2017). The freshness of bread is important for consumers and Pågen's salespeople visit stores around Sweden daily to deliver freshly baked products. A small part (2%) of our sales in Sweden are products sold via wholesalers

to catering, such as schools and hospitals. These must be frozen for logistic reasons, as are products to the Norwegian market.

We asked RISE to investigate how freeze handling affects bread's carbon footprint. The difference lies mainly in additional energy consumption for refrigeration and freezing and using coolant. Freeze transport means that fuel consumption increases by about 30%. Frozen bread has a carbon footprint that is about 20% higher than fresh bread.

## Bread with local durum wheat from our own tests

As Sweden's largest flour consumer, Pågen has helped to drive the development of Swedish sustainable grain cultivation. We have our own mill and a close cooperation with growers. In 2018 we launched bread baked with wholegrain durum from Southern Sweden after five years of test cultivation.

Durum is an older wheat variety not really adapted to the Nordic climate and mainly grown around the Mediterranean. Durum gives smaller harvests, but better quality and higher nutritional content. As fewer crops grow on the same surface, the dilution effect of the nutrients in the soil is lower than common wheat.

For five years, LHV has tried several different types of durum in concept cultivation in Skåne, in southern Sweden and had the opportunity to have full control over everything from seed selection to harvest. In close cooperation with eleven selected growers, we have now produced a really good whole grain durum. The quality is equivalent to durum cultivated in the Mediterranean, but the durum from Skåne is slightly less yellow due to fewer sun hours.

"We have received a very positive response from growers," says Jörgen Hansson Head of Development and Sales at LHV. "They want to be part of the development and testing of new varieties. But they want to know they will get a return on their investment is, which we can guarantee when we start concept cultivation."

Pågen is continuing its development work with spelt, wheat and high-protein wheat to create a wide range of Swedish sustainable cereals."

"We have seen an increased interest from consumers for older cereals, but also for sustainability and local origin", says Monica Bergen, Marketing Manager at Pågen. "It was crucial that we could bake durum bread using cereals from farms in our immediate area before we launched it."

Pågen uses Swedish raw materials as much as possible when baking. The flour

comes from our own mill, Lilla Harrie Valskvarn (LHV), which buys grain from the fields nearby. LHV is also working on testing and developing new sustainable cereal varieties that are suitable for our climate and Swedish soils.



Half of our bread contains more than 25% whole grains.



### Whole grains and fiber

According to WHO (World Health Organization) whole grain is the nutrition factor that most helps prevent ill health. The only way to ingest whole grain is to eat cereal products. Whole grain contains fiber, iron and antioxidants and has several health benefits, such as a positive effect on blood sugar and cholesterol. Eating more whole grains reduces the risk of several health conditions such as diabetes, colon cancer and cardiovascular diseases.

Nine out of ten people in Sweden eat too little whole grain, i.e. less than 75 grams of whole grain per day (source: The Swedish Bread Institute). Pågen is participating in a collaborative project together with researchers, other food companies and the public sector to improve Swedish public health through increased consumption of whole grain products, see page 29.

Pågen bakes bread and krispröller with whole grain. Almost half of our bread contains whole grain (calculated on dry substances) and more than 25% are rich in fiber, i.e. has a fiber content of over 6g /100g of product.

### The keyhole symbol

The keyhole symbol helps consumers in the Nordic countries make healthy food choices and find healthier alternatives in different food groups. Choosing products labeled with the keyhole you know you consume less sugar and salt, more whole grains and fiber and healthier or less fat. One third of our bread is keyhole labeled.

## Eating bread is good for your health

One third of our bread is rich in fiber and keyhole labeled.

Bread contains lots of good things. Eating bread at every mealtime is an easy way to replenish energy, dietary fiber, protein, vitamins and minerals. It is important that our consumers can make conscious choices based on their own needs and preferences. Pågen is very careful about being transparent in what our products contain, which is why all our packaging is clearly labeled.

All bread contains a certain amount of sugar in the nutrition declaration, even when sugar is not used as an ingredient in baking. This sugar comes from two natural sources, firstly, flour always contains a smaller amount of sugars, and secondly, sugar is formed during the baking process when part of the starch is broken down into different types of sugars. The amount of sugars varies from bread to bread, but in general it is relatively low compared to several other foods.

Pågen strives to reduce sugar without compromising on taste. A quarter of our bread is unsweetened, i.e. without added sugar that is not used in yeast. In 2018 we launched two new types of unsweetened bread, RågLevain and Swedish Durum Lantbröd. We reduced the sugar content in Gott Gräddat (30% less) and Surdegsgoda (14% less).

### Allergens

It is important for Pågen to have a range of products that can be enjoyed by lots of people. Allergens can limit this range. We avoid using allergens from the EU's allergen list as far as possible in our products. However, all our products contain gluten and some products in our sweet assortment contain milk and eggs.

Our hygiene rules ensure we limit the spread of ingredients with allergens that may contaminate other products. We also strive to work with suppliers and manufacturers who work according to good manufacturing practices and limit the risk of allergen contamination in their plant and during cultivation as far as possible. You can find up-to-date information about our products and what they contain on the packaging and on our website.



### SUSTAINABILITY OBJECTIVES HEALTH

- Continuously work to reduce sugar content without compromising on quality and product taste.
- Offer healthy products with keyhole labelling and high whole grain and fiber content.



# High demands on raw materials and ingredients

Pågen places high demands on our suppliers and the raw materials and ingredients we buy to ensure our requirements are followed and obtain raw materials at the best quality and price. A prerequisite for this is a continuous dialog with our suppliers.

We choose to bake with Swedish raw materials as much as possible to control the cultivation process and its environmental impact, and to contribute to the development of Swedish agriculture.

## Cereal cultivation

96%  
Swedish  
flour

Pågen has a long-term vision of being involved in the development of commercial and sustainable agriculture in Sweden. We are Sweden's largest consumer of flour, which means we have great opportunities to influence what happens. We do this best by using and prioritizing Swedish ingredients, and by our joint development work with farmers. Ingredients grown in Sweden have a low environmental impact, mainly due to resource-efficient cultivation and high environmental requirements. This in turn provides raw materials with high food safety.

### Swedish flour

Flour is our most important ingredient when we bake bread. Our objective is to use 100% Swedish flour and we reached 96% in 2018, despite the summer's drought and reduced harvests, see page 15. Pågen's flour is ground in our own mills in Lilla Harrie and in Gothenburg, both near our bakeries. As far as possible we use grain grown within a few kilometers of the mills, which



contributes to shorter and more efficient transport and less climate impact.

We have a close, long-term collaboration with about 200 contracted farmers, often over several generations. Thanks to geographical proximity and personal contact, we can continuously monitor traceability and fulfill our requirements specifications.

As part of our ambition to develop Swedish agriculture, we are testing and developing Swedish and sustainable cereal varieties with new and improved baking properties. We are testing with durum, spelt, high protein wheat and light whole wheat.

### Healthy requirements

Swedish cultivation is environmentally friendly from a global perspective. Despite this, we set higher requirements than legislation demands in some areas. For example, since 2010 we have not allowed sludge fertilization as it can spread hazardous substances in the fields. The method is not yet sufficiently tested. New fields must not have used sludge fertilization in the last three years.

We also limit the use of straw shortening agents, which inhibit the length of the straw to prevent grain from settling or going off. None of the wheat baked by Pågen may have been treated with straw shortening agents, although the EU allows it today.

About one-third of the rye we purchased in 2018 was not treated with straw shortening agents, but the supply is not currently large enough. In 2019, the proportion is expected to increase up to half. Rye has longer and weaker straw, which increases the risk of the grower's crop being destroyed.

Pågen's aim is to fully use Swedish-grown rye without straw shortening agents. Our own mill, Lilla Harrie Valskvarn, works together with growers to evaluate new species of rye that are naturally short. We are also working via the Swedish Mill Association and the Cereal Technical Working Group to find solutions to avoid treating rye with straw shortening agents.

### SUSTAINABILITY OBJECTIVES CEREAL CULTIVATION

- ♥ We want to develop commercially sustainable Swedish agriculture.
- ♥ We do not allow sludge fertilization.
- ♥ We do not allow wheat grown with straw shortening agents.
- ♥ Work actively to find solutions for growing rye without straw shortening agents.

## STORY

# Swedish flour despite the drought

Everyone in Sweden saw the effects of the unusually hot summer of 2018 and the problems with drought for our Swedish farmers. Only half as much wheat was harvested compared to a normal year, which led to Sweden importing almost as much grain as it normally exports, about one million tons.



Lilla Harrie Valskvarn (LHV), which proved to be extra valuable during the extreme year 2018.

– We have a good reputation as a partner and care about our long-term relationships with growers,” says Helene Sollerhed, Purchasing Manager at LHV. “In addition to our 200 contracted farmers, we are often forced to say no to new suppliers in a normal year. During the autumn we contacted them instead.

This was a tough challenge, but despite a sharply reduced harvest and higher prices, Pågen chose to continue to prioritize Swedish flour.

We have close and long-term partnerships with the local growers through our own mill,

Pågen's objective is to use 100% Swedish flour, especially grain grown close to our mill. This makes it possible to ensure our high standards for durability, traceability and quality. That we use Swedish ingredients is important for people who buy our bread.

– We are always busy at the mill during harvest time,” says Helene, “but this year we also had to push forward our holiday and roll up our sleeves. We left no stone unturned to secure Swedish flour to our bakeries. It was great to be able to keep the “From Sweden” label on our products.

For a short period during autumn we had to complement our normal suppliers with farms from outside the area. This was to secure the availability of flour with the qualities our bread requires, e.g. high protein content. Farmers must always meet our high requirements regardless of circumstances.



LILLA HARRIE  
VALSKVARN



# Ingredients

## Selecting ingredients

We carefully evaluate all ingredients before using them in our products. Besides having the right taste and function in our products, they are only approved when we know they are safe and meet the requirements in our ingredients and product policy. We collect information from the supplier and do analyzes in our laboratory or externally as a basis for the assessment. We generally restrict the use of additives and bake all our bread without preservatives. In cases where we use additives there must be a well-motivated reason. Pågen does not use ingredients that consist of, contain or have been produced by genetically modified organisms (GMOs).

## Origin

It is important for us to know the origin of ingredients, both where and in what way they were grown and processed. We choose to bake with Swedish ingredients as far as possible, and in 2018, 84% of the volume of purchased ingredients for our bakeries was grown and processed in Sweden. Our target was set to at least 85%, but the extreme drought during the summer meant that we did not quite reach that goal. Grain is our largest ingredient and our mill's close and active cooperation with the farmers made it possible to get close to our goal after all.

The share of Swedish ingredients has been 87-88% in previous years and by 2021 our sustainability objective is to reach 90% of Swedish-grown ingredients. When we develop new products, we strive to use ingredients that have a high availability for the long term. In addition to using grain grown in Sweden, we also bake with Swedish rapeseed oil, sugar and syrup. The lingonberries in Lingongrova are grown in Swedish forests.



### FROM SWEDEN

Swedish labelling of origin showing that at least 75% of the ingredients in composite products (e.g. bread) are produced in Sweden and that the product is produced and packaged in Sweden.

Pågen has used the voluntary "From Sweden" origin labelling for some years to clearly show consumers that our products are Swedish and to support the development of Swedish agriculture. We use the label on virtually all bread and the proportion of Swedish ingredients in these bread is on average 90%, which is above the 75% requirement.

### Own production of yeast and sourdough

We produce two of our most used ingredients, yeast and sourdough, next to our bakery in Malmö (page 8 and page 18). This allows us to control both quality and quantity efficiently and avoid unnecessary waste. From a sustainability perspective it also contributes to less transport. The carbon footprint for our homemade yeast is about 40% lower compared to purchased yeast. We only buy yeast when our own plant stops production for maintenance.



84%  
Swedish  
ingredients  
40% lower  
carbon footprint  
for our yeast



## Fat and oil

We only bake with vegetable fat and the oil we use is mainly Swedish rapeseed oil. Pågen only uses fully hydrogenated oil and fats that do not contain trans fats.

We use a blend of RSPO-certified segregated palm oil and rapeseed oil in a few products in our sweet range (Krisrolls, kanelgiffar and muffins). Palm oil is used for its special baking properties, which cannot currently be replaced without significantly affecting the taste, shelf life and texture of the product. We are running projects to evaluate the possibility of phasing out palm oil. When analyzing alternative solutions and suppliers, we do so from a holistic perspective to ensure they really are more sustainable regarding aspects such as the environment, health and social systems.

Pågen is a member of WWF's RSPO (Roundtable on Sustainable Palm Oil) initiative. Since 2016, the palm



oil we use is certified according to RSPO's standard for the production of sustainable palm oil (certified segregated). We follow WWF's recommendations not to boycott palm oil, as it contributes to the livelihood of many people and is a low-resource

crop if grown properly. We have close contact with our palm oil suppliers, focusing on social conditions when growing and producing palm oil.

## Egg

The only egg product we use is egg powder in our Giffar and Vanillas. Today, the egg powder is made from eggs from caged chickens, but from November 2019 we will only use with egg powder from free-range chickens.

### SUSTAINABILITY OBJECTIVES INGREDIENTS

- ♥ As far as possible use ingredients grown and manufactured in Sweden.
- ♥ 2021: Swedish ingredients shall account for at least 90% of the purchased volume for our bakeries.
- ♥ Only use palm oil certified according to RSPO's standard for the production of sustainable palm oil (certified segregated).

## More sourdough for increased sustainability



Sourdough is an important ingredient in our bread, as it makes bread tasty, increases shelf life and reduces the risk of food waste in the homes. We have invested in a new sourdough plant in the bakery to increase the amount of sourdough in our bread and can now produce six times as much sourdough as before.

Sourdough has several positive effects. It gives a softer and

tastier bread that lasts longer. Together with high hygiene requirements in our bakeries, the preservative effect of sourdough means we can offer fresh bread with a long shelf-life, even though we bake without preservatives.

"Lately there has been an increased interest in sourdough bread," says Gordana Ullén, responsible for product development at Pågen.

"Baking with sourdough is nothing new for us. When Anders and Matilda Pålsson founded Pågen over 140 years ago they baked with sourdough."

Many people appreciate bread with sourdough for its characteristic taste, but traditions differ between different cultures and countries in

terms of taste and the way it is baked. Sourdough can often replace other ingredients used to give bread a deeper flavor. By using our own sourdough, we can get the taste just the way we want it. We have increased control and traceability while the environmental impact of transport is reduced as sourdoughs are usually manufactured abroad.

"Pågen's sour dough is produced using flour from our own mill", says Gordana. "We get an ingredient originating from nearby fields, which is fully in line with our goal of prioritizing Swedish ingredients."

Pågen has two types of living sourdough with distinguishing flavors - one rye and wheat mixture and one based solely on wheat. We can vary the taste in different loaves using different sourdough cultures and flour types.



## Packaging

The longer shelf life bread has, the less risk there is of it being thrown away in homes. Bread packaging plays an important part by protecting bread so that it lasts for a long time and does not go stale, causing unnecessary food waste.

### Pågen's view on plastic packaging

All packaging we use is completely recyclable and part of a circular flow. Plastic bags account for only 2-5% of our products' carbon footprint.

We work actively to find packaging solutions that have as little environmental impact as possible. We always evaluate new solutions from a holistic perspective and from a number of sustainability aspects, including:

- Quality, so that the material does not reduce the time bread keeps and create increased food waste.
- The environmental impact of the raw material, that it is energy efficient and sustainably produced, including being sustainable regarding social and ethical issues.
- What happens after the bag has fulfilled its function. That it decomposes or becomes part of a circular flow through recycling.

### Recycling

Regardless of which plastic you use, it is important that it can be recycled as there are currently no plastic alternatives that are completely decomposable. All Pågen's bread bags are already recyclable. Some of the bags are recycled into new material, while the rest goes to energy recovery. Going forward we hope to recycle more into new material.

In the future, we will certainly see bread bags made of recycled plastic, but today European legislation does not allow recycled plastic to be used in direct contact with food. The reason for this is that the recycling process is not closed and controlled, and there is a risk that harmful, non-permitted substances will be included in the recycled plastic.

### Reduced consumption

Our goal is to continuously reduce the use of plastic. In recent years we have optimized the strength, format and thickness of our bags. In 2018 we reduced the closure on the bread bags and switched to thinner materials in the stretch film we use around pallets during loading. We will continue this work and our sustainability goal for 2019 is to reduce the use of plastic by 10% per bread package.

100%  
recyclable  
packaging



### Renewable and decomposable biomaterials

We are constantly evaluating new packaging materials and our goal is to use renewable and decomposable biomaterials. Fossil-free plastics can for example be made from sugar cane or corn which gives a smaller carbon footprint. We believe that the alternatives available today are not sufficiently developed and durable from a holistic perspective – existing renewable biomaterials contain a certain amount of traditional plastic, which means they cannot be decomposed without creating microplastics in nature. The plastic that is sometimes called decomposable is not yet sufficiently developed to be completely decomposed at normal temperatures in nature.

Pågen actively participates in development work on new packaging solutions and we have joined DLF's plastic initiative 2022, with the goal that the plastic packaging of member companies should be able to be used as packaging material by 2022. (DLF Sweden is a trade association for companies that produce or import goods for resale to the grocery retail and foodservice markets in Sweden.)

### SUSTAINABILITY OBJECTIVES PACKAGING

- ♥ Only use recyclable packaging.
- ♥ Strive to use renewable and decomposable biomaterials.
- ♥ Reduce our material consumption.
- 🌿 2019: reduce the amount of plastic per bread bag by 10%.

# Suppliers

The control of ingredients in our products is extremely important to us, both in order for us to live up to our high standards of quality, and to ensure the ingredients are produced in a sustainable way. We work systematically to develop our requirements and to improve control throughout the supply chain.

Pågen has a close and long-term cooperation with a few selected suppliers, which means we can be confident that they are well aware of our requirements on quality and food safety. During 2018, we collaborated with 24 ingredient suppliers, ten of which account for almost 95% of our purchases.

Our suppliers must also follow our Code of Conduct for suppliers that is designed in accordance with the UN's ten principles in the areas of human rights, labor law, environment and corruption.

We expect transparency in dialogues with our suppliers, and it is important for us to have access to information about the supplier's manufacturing, subcontractors and detailed information about their products.

New suppliers are assessed before they are approved and we purchase from them. Existing suppliers are evaluated by our purchasing, quality and product deve-

lopment departments annually. We assess a supplier's performance in the delivery of product, complaints and product quality, cooperation and service and sustainability/CSR.

Visiting and auditing our suppliers and their subcontractors is a valuable tool to ensure that they meet our requirements and expectations. In 2018, we conducted seven audits of suppliers and their subcontractors, meeting our goal to conduct at least five visits. The outcome of the audits was in most cases very good but also resulted in irregularities that suppliers must correct for continued cooperation.

In 2018, we have had a clearer focus on the origin of ingredients. It is important for us to have knowledge of where and in what way they were cultivated and refined. This is a prerequisite for us to make reliable risk assessments from an environmental and sustainability perspective and in terms of food safety and food fraud.

### SUSTAINABILITY OBJECTIVES SUPPLIERS

- ♥ Continuously evaluate our suppliers in terms of safety and sustainability.
- 2019-2021: Carry out supplier assessments with a focus on sustainability and traceability.
- 2019: Perform at least five supplier audits.



# Baking with love

## Tasty bread of the right quality

We continuously monitor product quality throughout the production process; when the dough is ready, after baking in the oven and during packaging. We perform more comprehensive quality control at least once an hour and at start-up, change of product and at the end before products are dispatched to our customers.

Representatives from our departments of quality, market, product development and production meet once a week to sample all products in the range to create a consensus within the company about what is the right quality for our products. We assess the taste and texture of freshly baked and older products and if we find something we are not satisfied with, we jointly decide on what action to take. We also perform analyses on shelf life and properties of our products such as their volume, softness, salinity and appearance in our laboratory.

## Certified product safety

Our bakeries have very high hygiene requirements that we achieve through clean air (filtering of incoming air, overpressure in hygiene zones, closed doors and windows), appropriate procedures for cleaning equipment and premises, and strict hygiene rules for people working in the bakery. It is especially important that baked bread does not come into contact with mold spores, which is why it is forbidden to touch ready baked bread, and that it is packed as soon as possible.

Proper hygiene standards mean that our products have a long shelf life without mold and do not contribute to unnecessary food waste in the homes. Both our bakeries are certified according to FSSC22000, which is a standard for food safety. A third-party auditor annually audits us to ensure that we always meet the standard's requirements, which we did in 2018. We work actively with risk assessment regarding product safety when making changes to processes or rebuilding in the bakeries, which creates awareness of potential risks and how we can avoid them.

### SUSTAINABILITY OBJECTIVES PRODUCT SAFETY

- ♥ Bake safe products and work for systematic quality and improvements process.

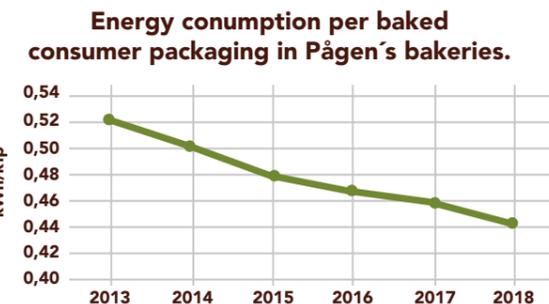


100% renewable energy

## Energy consumption

100% of the electricity we buy is from renewable energy (hydropower) and 100% of the gas is renewable (biogas). By switching from natural gas to biogas, the bakeries' contribution to our products' carbon footprint has decreased from 13 to 1%. In recent years we have taken several steps to lower our energy consumption. These include recycling heat from ovens and switching to more energy efficient heating boilers, smaller and more efficient steam boilers, energy efficient lighting with LED lamps and optimizing ventilation in our offices.

The efforts have paid off and we have reduced our energy consumption per produced consumer packaging by 15% since 2013. We have also made a number of changes in our working practices to become more energy efficient, for example, optimizing the time our ovens are switched on. During 2018, our sales increased, which had a positive impact on energy consumption per product, as we can bake the same type of product for a longer continuous period without stopping.



### SUSTAINABILITY OBJECTIVES ENERGY CONSUMPTION

- ♥ Continuously strive to make our bakeries more energy efficient.
- ♥ Use renewable energy sources as far as possible.

# Waste

## Bread waste

As a food manufacturer we take responsibility for our production lifecycle. A certain amount of bread waste is unavoidable in bakeries, e.g. through edges that are removed or bread that has for some reason been wrongly baked. Our goal is no more than 2% bread waste, a very low level for our industry, and both of our bakeries achieved that objective in 2018. We recycle 100% of the waste through our circular system. Most of it goes to our yeast factory, see page 21, where it is transformed into yeast used to make new bread. The waste we cannot reuse in yeast production goes to animal feed or bioethanol.

## Other types of waste

We strive to recycle as much as possible of our other waste from production and almost all of it is recycled through material and energy recycling or biological

treatment (anaerobic digestion or composting). The amount of different waste is continuously measured so we can control and reduce the total volume of waste. As an example, the amount of packaging waste has been reduced by purchasing ingredients in big bags instead of ordinary sized bags when possible.

### SUSTAINABILITY OBJECTIVES WASTE

- ♥ Minimize the amount for waste products in our bakeries.
- 2019: Max 2% bread waste from our bakeries.
- ♥ 100% of our bread waste to be reused in our yeast production alternatively turned to bioethanol or animal feed.



100% of the bakeries' bread waste is recycled

# The local environment

Producing food where people live should be something natural. We work actively with other local players in various projects to create sustainable solutions that allow us to cooperate in the local environment.

## Reduced noise

We work continuously to reduce noise levels to co-exist with our local environment in a good way. We have taken a number of measures in conjunction with rebuilding and energy efficiency improvements to eliminate or reduce noise sources recent years. Examples include switching to low-noise cooling units, sound insulated external compressors and replacing a larger heating boiler with several smaller ones that are built-in and less noisy.

When we build new buildings we move noisy activities into the yard and new dense facades protect the local surrounding from noise, for instance moving the handling of returned bread and sugar deliveries in Malmö.

## Emissions to water and air

Before releasing wastewater from the bakery into the municipal wastewater network, we adjust the pH and separate fat content to make sure it does not affect the water treatment plant. Air emissions from the bakeries include things like dust from flour silos. Our silos are equipped with barrier filters that are checked regularly to minimize emissions.

### SUSTAINABILITY OBJECTIVES LOCAL ENVIRONMENT

- ♥ Work towards local collaboration with players in the area and local authorities to create a sustainable local environment.
- ♥ Continuously work to reduce noise and emissions to air and water during extensions or renovations.

## STORY

# Recycled dough for more sustainable Hönö cakes



Everyone who's baked gingerbread knows that pieces of dough will be left over when you cut out your figures. The leftover dough is collected and mixed with the original dough to bake more tasty cakes. We use the same principle in the Gothenburg bakery to take care of leftovers from baking.

for us," says Andreas Bäckman, Chief Operating Officer of the Gothenburg bakery.

"We use an established approach developed by our product development department."

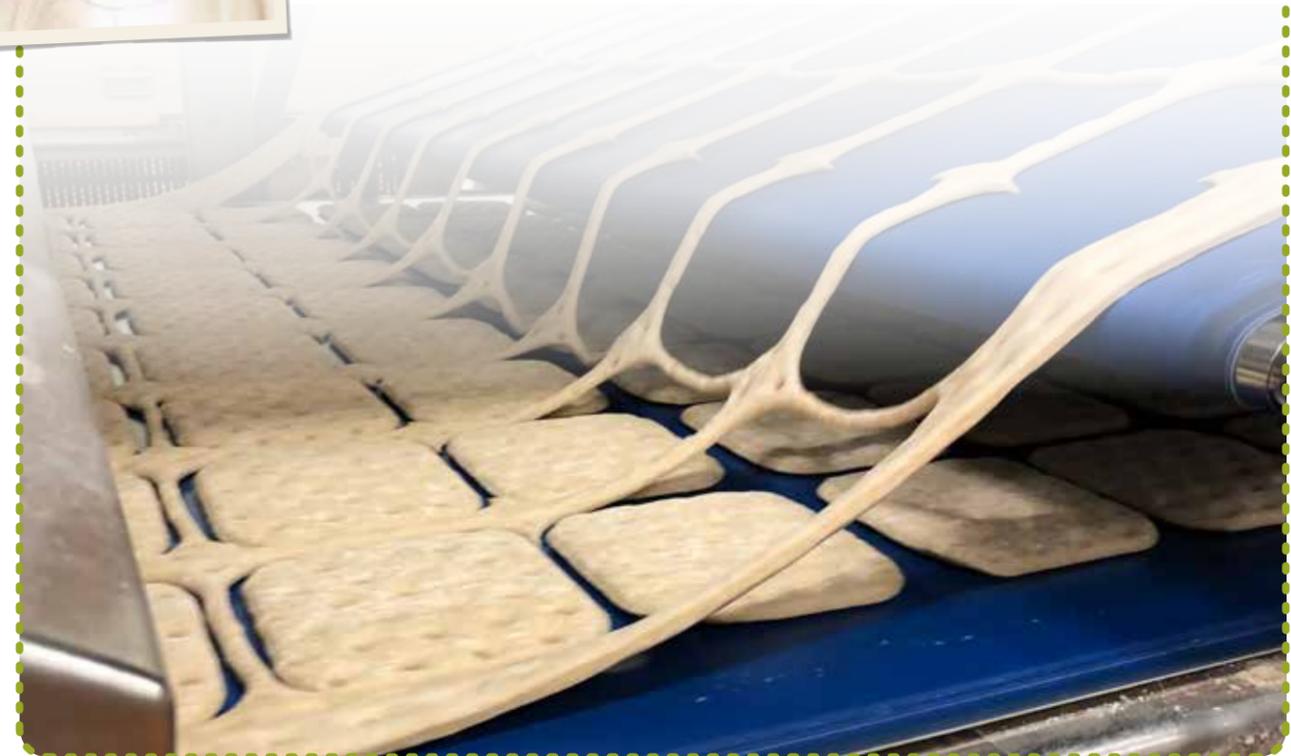
The amount of dough waste depends on the shape of the product. A square cake like Hönö Råg makes less waste than the round Hönö Skärgårdskaka, but thanks our system for recycling dough, waste is reused and not wasted. We handle dough waste in closed automatic systems where no one in the bakery touches the dough – safe handling.

"You might wonder if reusing dough affects the taste," Andreas continues, "my opinion is that it actually makes the bread taste even better."

Another positive effect is that we reduce the use of yeast, since there is already yeast in the reused dough. The goal is to plan baking with as long production runs as possible to minimize dough waste that cannot be reused in baking. When baking a particular product is finished and dough waste cannot be reused, it is recycled into animal feed.

There are several products in the Pågen range that are portion baked like bread in the Hönö family. The dough is rolled out on a large mat and the bread is punched out. Then it goes into the oven while the remaining dough is reused when we make a new dough.

"Working in a resource efficient way and having a circular process for bakery waste is completely natural



# Efficient sales and delivery of fresh bread



Pågen delivers fresh bread to stores around Sweden – unlike many other bakeries who deliver frozen bread. Baking and selling fresh bread is part of our long baking tradition, and what 88% of Swedish bread consumers prefer (YouGov, May 2017).

Transport  
6% of the  
product's  
carbon foot-  
print

Our aim is to manage our distribution as climate-smart as possible. We have joined the Swedish Food Federation's sustainability manifesto and are committed to working towards fossil-free fuels for our transport by 2030. In 2018, 34% of the fuel we used was renewable, an increase from 2017 when the proportion was 29%. Access to renewable and sustainable alternatives is limited, which is why we work in parallel with new solutions in biogas, electricity and hydrogen.

We are actively working to plan for the minimum number of kilometers our vehicles drive. Our return bread model (see pages 8-9) works without adding to transport lengths, as our salespeople are in the store every day and can return bread to the bakery or the loading place on their usual round.

Despite a substantial increase in sales in 2018, we managed to remain at the same mileage as 2017 and reduce the total amount of refueling by 3%. A big part of this is our focus on constantly improving the filling degree of our vehicles according to the slogan "Bread fills the carton, the carton fills the pallet and the pallet fills the vehicle".

Transport accounts for a small proportion of the entire climate impact of bread, about 6%, see page 11. We try to reduce transport emissions as much as possible by switching to newer, more fuel-efficient vehicles or fewer and more efficient trucks.

Our salespeople regularly attend training for the Driver Certificate of Professional Competence (YKB in Sweden) where they are trained in eco-driving and in efficient planning of vehicle loading. Pågen has a collaboration with Sweden's Haulage Company Association regarding Fair Transport for all purchased domestic transport and transport to Denmark and Norway.

Fair Transport is an initiative that involves highlighting transport from responsible haulers who drive safely, think in a climate smart way and offer good working conditions. During 2018, Pågen has worked with them to determine the way forward for fair transport in the Swedish market.

We use train transport to France, our largest market for Krisprölls. Krisprölls have longer shelf life and are well suited for train transport.

## SUSTAINABILITY OBJECTIVES TRANSPORT

- ♥ Work to make fuel for our transport fossil-free by 2030.
- ♥ 2019: 50% of our vehicles shall use HVO fuel.
- ♥ All salespersons must be trained in eco-driving.
- ♥ Require cotransport for long-distance deliveries.

# Systematic work environment management

A good working environment where our co-workers feel good and happy is a prerequisite for us to continue baking bread for future generations. All decisions we make, how we act in everyday life and develop Pågen, are based on our shared values and our code of conduct.

## Continuous improvements

Pågen has a systematic work environment management program (SAM) and these questions are an obvious and natural part of the business. The model means that we continually investigate our work environment, assess risks, take action and follow up.

The aim is to create a physically and psychosocially safe and healthy workplace for all our co-workers and to prevent risks of work injuries and work-related ill health. Our ambition is to create a stimulating work environment that provides opportunities for personal and professional development.

Our annual goal and development process ensure that we work towards the same goals and that there is a clear link between goals for company, departments and co-workers. We introduced a new engagement survey in 2018 where all co-workers anonymously answer questions about participation, clarity and development. The results are broken down at departmental level where each manager and staff together create action plans based on the current situation and what they can do together to further strengthen commitment.

## Clear responsibility

The working environment is an important competitive tool and a strategic issue for management and the board. Ultimately, our CEO is responsible and each manager has a delegated responsibility to ensure that we live up to the legal requirements that exist. Every co-worker has a responsibility to follow the rules and routines, to use protective devices that work requires, and report any shortcomings so we can prevent future problems.

Work environment management is governed by policies and clear procedures for delegation. We have work environment committees represented by both co-workers and employers, who meet four times a year to plan and follow up work environment management.

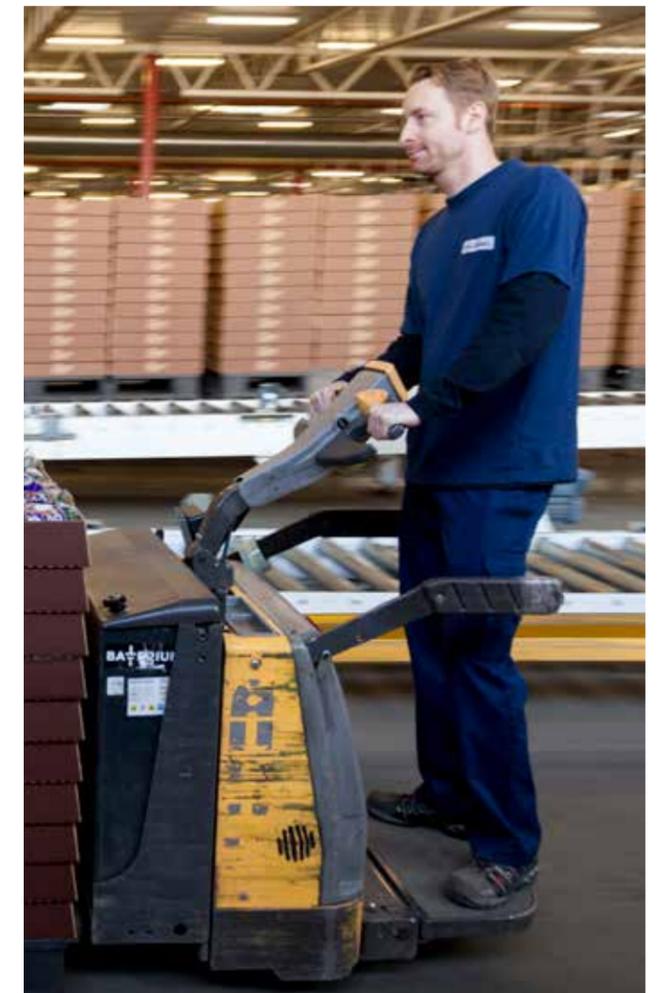
Managers must undergo our internal training in the field of work environment every three years to ensure that we maintain a high level of expertise in the area. Safety

representatives and co-workers with particularly exposed jobs undergo training and retraining in areas such as ergonomics, lifting and CPR.

## Zero tolerance against discrimination

Pågen has a zero-tolerance policy against all forms of discrimination, victimization, harassment, threats or violence in our activities. We have routines for how to work preventively, train, act directly and follow up if problems arise. There is a whistleblower function on the intranet to enable people to report problems anonymously.

We always consider diversity when recruiting, as well as competence based on the needs of the business. We strengthen our competitiveness by having co-workers with different skills and backgrounds that complement each other.



## Health

Pågen works actively to counteract work-related ill health and injuries. The manager takes early contact when a co-worker takes sick leave to identify any need for rehabilitation. We also work closely with the occupational health services, which have the opportunity to visit the workplace to help solve any possible problems.

To feel good it is important to be active and do things together, which is why Pågen invests in health-promoting efforts and has a generous wellness contribution for co-workers. Co-workers have the opportunity to participate in different road and cycle races in Sweden. The company also offers activities such as yoga, padel and climbing, and inspirational lectures.

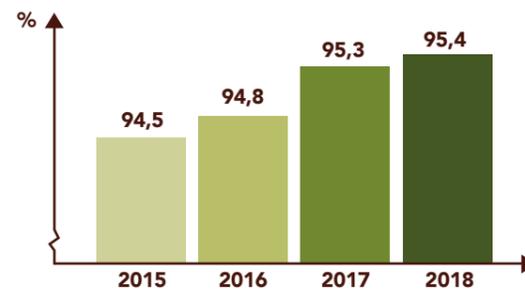


### SUSTAINABILITY OBJECTIVES CO-WORKERS



- ♥ Work to increase commitment from our co-workers. 2021: 90% response rate for our annual engagement measurement.
- ♥ Continuously strive to increase healthy workers. 2019: 96% healthy workers (attendance).
- ♥ All managers shall regularly attend training in work environment.
- ♥ All co-workers must conduct performance appraisals annually.

### Healthy workers (attendance) total in Pågen



## Our values gives us guidance

One sentence summarizes our values – We are baking with love. Every time we make an important decision, we ask ourselves: Is this baking with love? This gives us guidance in our major decisions. Our values can be broken down into four areas:

### Commitment

The people working at Pågen have many different backgrounds and experiences. What unites us is our commitment, which includes passion and consideration. We are proud of our products and our company and we care about our consumers, costumers, colleagues and our environment. We focus on the possibilities and we work daily with development and continuous improvements.

### Courage

There is always more to learn and understand, even if we have baked bread since 1878 and are the biggest bakery in Sweden today. We are solution-oriented, we do not give up and we learn from both successes and mistakes. We want to

challenge and continuously improve, regardless of whether it sometimes means making decisions in difficult circumstances. Courage also means to dare to act on behaviours that exclude.

### Responsibility

As long as people like our products we can exist and develop further – a trust we take very seriously. We can never compromise on quality and we take responsibility for ensuring that our decisions are sustainable in the long term. Our employees feel a personal responsibility to work proactively and contribute to Pågen's success.

### Togetherness

Together we achieve the best results by working towards our common goals. We show each other trust and respect, even if we are different from one another. Everyone has a part in creating a positive working climate by giving and receiving constructive feedback. Solidarity is also about caring for relationships with customers, consumers and the outside world.

# Governance and policies

## Structure for governance

Pågen's business is governed by a management system built up as a process map at various levels with associated governing documents. The main process is based on the consumer's needs and ends with us having a happy, satisfied consumer. It includes developing, baking and delivering natural good quality products to our customers.

Our sustainability work is guided by our priority issues and our sustainability objectives. Our priority issues are symbolized by a heart and are our strategies for long-term sustainability linked to our core values of "baking with love". Our sustainability objectives are timely, measurable and realistic but challenging and symbolized by a wheat ear, see the inside cover and under each chapter.

Management processes control how we develop a sustainable strategy with goals and plans that guide operations. In addition, there are support processes for quality and sustainable work, purchasing, communication, co-workers/HR, finance, IT and follow-up and improvement. The processes are owned by the various functions of the business and each governing document has an owner who is responsible for updating it. Our policies are part of the management system and are developed and approved by the management team.

Process maps and governing documents are published on Pågen's intranet where they are available to all co-workers. The management system has an important



In 2018, Pågen was awarded Sweden's Best Managed Company

function in controlling our sustainability work. Policies control our work on an overall level and governing routines make us work properly and sustainably in our daily work. The quality and sustainability manager drives Pågen's ongoing sustainability work, and cornerstones and sustainability objectives are decided and monitored by the management team.

Responsibility for execution and follow-up of our sustainability objectives is allocated to the functions of the company that can influence outcomes in their daily work. The outcome for our sustainability objectives is reported to management at the respective function's status meeting, which is held on twice a year. Management has the opportunity to review sustainability work and assess its effectiveness at these meetings.

## Policies that guide our sustainability work

**Quality and product safety policy;** controls our work with quality assurance and product safety.

**Environmental policy;** ensures our long-term environmental responsibility with particular focus on raw material consumption, transport and energy consumption in the bakeries.

**Ingredients and product policy;** controls the selection of ingredients and that we bake with safe ingredients that are produced responsibly.

**Policies for promoting diversity;** controls equal treatment in the work environment and how we distance ourselves from all forms of discrimination or abuse.

**Security policy** determines the company's security responsibility towards owners, co-workers, customers and consumers.

**Work environment policy;** aims to create a physically and psychosocially safe and healthy workplace for all co-workers.

**Code of Conduct;** describes our responsibility for knowing the risks that exist throughout the value chain and minimize and respond to these risks with appropriate measures. It covers the environment, business ethics, work environment, social conditions and products.

# Our surrounding world

## Stakeholders

Pågen's business influences and is influenced by many stakeholders in and around the company. It is important for us to be responsive and understand the needs and expectations of our target groups. We have ongoing dialogues with all target

groups. Their input and our own knowledge contribute to ensuring that we are actively working on continuous improvements in economic, social and environmental sustainability. The stakeholder analysis has been prepared by a group of key people within Pågen and shows our most important stakeholder groups, how we conduct a dialogue with them and what sustainability issues they consider to be most important.

Stakeholders	Dialogue opportunities	Important issues
<b>Co-workers</b>	Co-worker surveys Workplace meetings Tertial meetings Management meetings Target and performance dialouge Intranet Whistleblower function	Work environment Profitability and attractive products Clear values Involvement/influence Product safety Sustainable and attractive workplace Opportunities for development Diversity
<b>Consumer</b>	Consumer surveys Consumer contact/forum Social Media Salesperson instore	Health (eg keyhole labelling, nutritional value, whole grains) Quality and product safety Ingredients and their origins, locally cultivated Food waste and lifecycle Safe deliveries to stores Freshness Price Product selection Taste, enjoyment The company's values and transparency
<b>Customers</b>	Customer visits Exhibitions Bread deliveries and sales meetings in store The Swedish Food Federation (Li) Trade organizations and networks Public procurements	Swedish products Delivery reliability Pricing and profitability Sustainability/CSR Innovation and product range Quality and product range Freshness Food waste and lifecycle The company's values and transparency
<b>Suppliers</b>	Supplier meetings Product development phase Supplier audits Agreement and price discussions Exhibitions	Long-term cooperation Joint development projects Good references
<b>Authorities and politicians</b>	Inspection visits Licensing cases Network meetings Trade organizations	Food waste External environmental impact Job opportunities Safe environment, people and products Infrastructure

# External collaborations

Pågen is active in a number of networks and collaborations in sustainability issues, quality assurance and food safety. These are important platforms for knowledge exchange and give us opportunities to influence and drive our core issues. We list the most important ones below:

### The Swedish Food Federation (Li)

Industry and employer organization for food companies in Sweden and advisers in food and legal issues and crisis management. Members work together towards a joint sustainability manifesto that was adopted in 2013. Li updated their sustainability manifesto in 2018, and Pågen backs the manifesto that focuses on 5 areas; a fossil-free industry, halve food waste, 100% recyclable packaging, taking responsibility for co-workers and more efficient water recycling.

### The association of Swedish bakers & confectioners (SBK)

Industry organization for Sweden's bakeries and patisseries. Represents about 500 members and works with questions concerning health, hygiene and labelling.

### The Swedish Bread Institute

Cooperation between authorities and the bread industry. Highlights the good taste of bread and the positive connection to good health and climate-smart choices, with science as the basis.

### Future skills supply

Cooperation between the Swedish Food Federation and Lernia to secure future competitiveness. They identify which skills are needed regardless of industry, and validate the skills of individual co-workers, identify skills gaps and offer training.

### Skåne Food Innovation Network

Pågen is a partner in this cluster organization that gathers small and large players who together want to develop food, drinks and meals of the future. We participate in collaborations on strategic skills supply and the leaders of the future, HR and CEO networks.

### Collaboration project on wholegrains

Wholegrain consumption is strongly linked with a reduced risk of lifestyle diseases, but consumption in Sweden is far below the recommendations. The objective of the project is to increase consumption. The initiative stems from researchers from Chalmers University of Technology together with key players from the food industry, consumer associations, public actors and non-profit associations. They want to set a common agenda for the development of innovations that lead to increased awareness and availability of wholegrain products. The project is financed by Vinnova, Sweden's innovation agency.

### Sustainable food chain (HLK)

Co-ordinated by the World Wildlife Fund (WWF), it is a collaboration between the food chain's actors with the vision of achieving sustainable food production and consumption in the Swedish food chain.

### The Plastic initiative

Pågen has joined DLF's plastic initiative 2022. The goal of the initiative is that plastic packaging used by member companies and covered by the producer responsibility regulation, should be reused as raw material for new packaging by 2022. (DLF is a trade association for companies that produce or import goods for resale to the grocery retail and foodservice markets in Sweden.)

### TEM

State foundation founded by among others Lund university. TEM develops sustainability work in private companies and the public sector. It runs networks and projects around the environment and CSR where Pågen participates.



## Social responsibility through sponsorship

Through our sponsorship we want to use our bread in a context that helps people to a better everyday life. Pågen cooperates with organizations that help people in need of support with great responsibility, care and dedication. We contribute with bread to the City Mission and the Red Cross Youth Federation's investment in breakfast for school children in the local area. Breakfast gives students a good start of the day and better conditions to cope with their attendance at school. We also support organizations such as Save the Children, the Children's Cancer Foundation and UNICEF.

Pågen supports children and youth activities in sports and other non-profit contexts through our co-workers. When a co-worker does voluntary work they can apply for sponsorship to get bread for their association.

We want to promote events within health inspires more people to exercise. That is why we collaborate with some major sporting events such as Gothia Cup, Åhus Beach, Halör Cup and Stadium Sports Camp.

# About the sustainability report

Pågen AB is tasked by the Annual Accounts Act's requirement to prepare a sustainability report and we have ensured that these requirements are met. The report has been prepared in accordance with the Global Reporting Initiative (GRI) Standards, alternative core. The accounting covers Pågen AB, but we also present our sustainability work in the rest of the Group to provide a comprehensive view of our business.

If you have any questions, contact quality and sustainability manager Helena Havglim (helena.havglim@pagen.se) or Information Manager Anna Säfström (anna.safstrom@pagen.se).

## The GRI Index with links to the UN's global sustainability goals

GRI Indicator	Description	Page reference/Comments	The global goals
<b>Organizational Profile</b>			
102-1	Name of Organization	4	
102-2	Activities, brands, products, and services	4, 10-11, 21	
102-3	Location of headquarters	4	
102-4	Location of operations	4	
102-5	Ownership and legal form	4	
102-6	Markets operating	4	
102-7	Size of organization	4, 21, 25-26	
102-8	Information on co-workers and other workers	4, 25-26	8, 12
102-9	Supply chain	14-20	12
102-10	Significant changes to the organization and its supply chain	No significant changes in 2018	
102-11	Precautionary Principle or approach	Environmental impact assessments are carried out when it is required to identify and control the environmental risks of our business	12, 13, 15
102-12	External initiatives	29	
102-13	Membership of associations	29	
<b>Strategy</b>			
102-14	Statement from senior decision-maker	3, 6	
102-15	Main impacts, risks and opportunities	5, inside fold cover	
<b>Ethics and integrity</b>			
102-16	Values, principles, standards, and norms of behavior	25-26, 27	16
<b>Governance</b>			
102-18	Governance structure	27	
102-30	Efficacy of risk management processes	27	
102-31	Review of economic, environmental and social topics	14, 16-17, 20-21, 25-27	
<b>Stakeholder engagement</b>			
102-40	List of stakeholder groups	28	
102-41	Collective agreements	All employees are covered by collective agreements	8, 12
102-42	Identifying and selecting stakeholders	28	
102-43	Approaches to stakeholder engagement	28	12
102-44	Key topics and concerns raised	28	



The UN's sustainable development goals

GRI Indicator	Description	Page reference/Comments	The global goals
<b>Reporting Practice</b>			
102-45	Entities included in the consolidated financial statements	30	
102-46	Defining report content and topic boundaries	27, 30	
102-47	Issues identified as essential	5, 7, 10-11	
102-48	Restatements of information	Inside fold cover	
102-49	Changes in reporting concerning essential questions	No changes to essential questions	
102-50	Reporting period	2018	
102-51	Date of most recent report	8 may 2017	
102-52	Reporting cycle	Annual	
102-53	Contact person for questions regarding the report	30	
102-54	Claims of reporting in accordance with the GRI Standards	30-31	
102-55	GRI content index	30-31	
102-56	External assurance	Independent auditor has made the statement that a sustainability report is prepared in accordance with the Annual Accounts Act	
103-1	Limitations on key issues within the organization	3-27 (respective sustainability area)	12, 13
103-2	Information on sustainability management	5, 3-27, fold inside cover (controlling and monitoring the respective sustainability area)	1, 5, 8, 12, 13, 16
103-3	Follow up on sustainability management	5, 3-27 fold inside cover (controlling and monitoring the respective sustainability area)	12, 13
<b>Financial</b>			
204-1	Share of expenditure on local suppliers	14-20	12
<b>Environmental</b>			
302-1	Energy consumption within the organisation	21-22	7, 8, 12, 13
302-4	Reduction of energy consumption	21-22	7, 8, 12, 13
302-5	Reduction of energy requirements for products and services	21-22	7, 8, 12, 13
306-1	Emissions to water, quality and destination	21-22	1, 6, 12, 13
307-1	Significant fines and sanctions for breaches of environmental law	No incidents during 2018	12, 13, 15
<b>Social topics</b>			
403-1	Co-worker representation in formal health and safety committees	25-26	8
403-2	Extent and type of workrelated injuries, accidents and sick leave	25-26 Reports only in sick leave	3, 8, 12
405-1	Diversity in the board, management and co-workers	25-26	5, 8
413-1	Activities involving the local community, impact assessments and development programs	21-22, 29	
416-1	Assessment of health and safety impacts of products and services categories	13, 20	
416-2	Incidents of non-compliance with regulations concerning health and safety of products and services	No incidents during 2018	16
417-1	Type of product information required, as well as number of products concerned	13, 21-22	2, 12, 16
417-2	Number of violations of laws regarding product information and labelling	No incidents during 2018	16