WE LIVE MILK

DeLaval is a market leader and trusted partner for thousands of farmers around the planet, providing integrated milking solutions designed to improve dairy farmers’ production, animal welfare and overall quality of life. The company develops and manufactures equipment for milk production and animal husbandry worldwide.

OUR SOLUTIONS
DeLaval offers highly efficient system solutions for milking, farm and herd management, animal traffic control, feeding, cooling, manure handling, ventilation and energy recovery. DeLaval customers can also choose from a wide range of services and consumables: liners & tubes, farm supplies, services & original parts, and milk quality & animal health.

OUR CUSTOMERS
Every time we help a farmer find a way to produce more milk from the same herd, we’re making food production more sustainable – by introducing a new working method on the farm, a new parlour, better liners, better hygiene, better data to make better decisions, by cutting disease, by keeping cows healthier and increasing their milking lifetime. Every time we do that, we help farmers do more with less. Every time we do that, we’re moving on the road to more sustainable food production.

RESEARCH AND INNOVATION
Research and innovation are central to the continued success of DeLaval supporting our customers and we have seven R&D centres around the globe. We work closely with a worldwide network of farmers, academics, dedicated research facilities, scientists, sales teams and authorised dealers.

Innovation is in our blood. It’s been in our blood since Gustaf de Laval patented the centrifugal cream separator back in 1878. That is more than 140 years of continuous knowledge, accumulating year after year and changing how we do things, innovating to make them better.

In short, we live milk.

DELAVAL NET SALES BY GEOGRAPHY, 2019

DELAVAL NET SALES BY PRODUCT SECTOR, 2019

NET SALES 2019
€1.1 BILLION

SALES IN
>100 COUNTRIES

NUMBER OF EMPLOYEES
DECEMBER 2019
4,628

TECHNICAL TRAINING CENTRES
6

RESEARCH AND DEVELOPMENT CENTRES
7

PRODUCTION PLANTS
14

Americas 21%
EMEA 57%
Asia & Pacific 19%
Others 3%

Service and original parts
Milking

19% 38%

Farm supplies
Hygiene

17% 26%
Innovation drives another record year

It is pleasing to report another record year in 2019 for the company, with continued growth and increased market share. We grew faster than the market and our new products such as our DeLaval VMS™ V310 were very well received.

Sales and market share
Our successful launches of 2018 bore more fruit in 2019 and we saw continued interest and an increasing amount of orders for several of our latest innovations, not least our world-leading DeLaval VMS™ V300 milking robot. Orders from farmers increased all around the globe. Similarly, the 2018 launches of the DeLaval Rotary E300 milking system, the DeLaval Rotary E100 and the DeLaval Parlour P500 milking system were positively received by the market in 2019. DeLaval OptiDuo™, an automated feed pusher and remixer and our DeLaval Evanza™ milking cluster have also established themselves firmly in the market as we reap the rewards.

Sales in Europe have been particularly strong, and I believe we have significantly strengthened our position in the European automatic milking market. We also had strong sales in Asia-Pacific and it was a good year in the Americas despite the challenges in the market.

I think the continued success in our markets was largely due to the innovations that were launched in 2018 as well as our dedicated and competent teams on the ground. In 2019, net sales amounted to 1,082 million in prevailing currencies, compared with 1,011 in 2018.

Our commitment to innovation
While our latest range of innovations are continuing to gain traction around the globe, our commitment to further innovation continues. In 2019, we launched the DeLaval VMS™ V310, an upgrade to our record-breaking VMS™ V300. The new upgraded milking robot includes DeLaval RePro™ that automatically detects heat and pregnancy during the milking process. The innovation can also detect cows with a lack of heat expression and the presence of abnormal ovarian structures such as cysts. It is the first milking system that automatically confirms pregnant cows and can determine early embryonic loss. We began developing this innovation around 15 years ago, so I very am proud of our long-term commitment to developing a highly innovative technology that enables farmers to save time and reduce costs.

“We are also seeing a strong uptake of DeLaval InService™ All-Inclusive, which is a very useful service for farmers as it gives them a fixed-rate subscription to cater for all the required consumables for their farm.”

Greater productivity for DeLaval and our customers
I would say that much of our progress is based on the organisational changes we made back in 2016 that have helped us bring more competence closer to our customers. In 2019, we have really benefitted from this, and I am particularly proud of the dedication of our sales and installation teams that have worked extremely hard to ensure successful customer deliveries.

We continue to make organisational changes where we see fit to improve our own productivity. We have also combined our two business areas into one unit, which is improving productivity by finding synergies and making use of common processes from our two previous business areas.

While we enjoy strong sales, we are refining and adjusting our existing offering and ensure the right solutions for our clients while maintaining and improving our own efficiency.

“In 2019, we launched the DeLaval VMS™ V310, an upgrade to our record-breaking VMS™ V300. The new upgraded milking robot includes DeLaval RePro™ that automatically detects heat and pregnancy during the milking process.”
“Our vision is to make sustainable food production possible and I firmly believe that our continued efforts to help farmers produce more and higher quality milk with less resources have a significant positive impact.”

Enabling sustainable production
Our vision is to make sustainable food production possible and I firmly believe that our continued efforts to help farmers produce more and higher quality milk with less resources have a significant positive impact. Automation has helped a lot in this regard and has the potential to do even more.

Well positioned to create opportunities
While DeLaval enjoyed significant growth in 2019, growth in the dairy industry as a whole was flat. Political uncertainty around the world, including trade tensions between the US and China and the uncertainty surrounding the new Common Agricultural Policy (CAP) in the EU, are raising doubts amongst our customers and could present challenges in the future.

We expect to see further market consolidation and a continued restructuring of dairy farms. Furthermore, we are experiencing some unprecedented times with the Coronavirus situation. This pandemic will have an effect on businesses worldwide. We always try to find the best possible ways to support our customers regardless of the challenges being faced. In addition, safety of our employees and their families is our number one priority in a situation like this, and we are constantly working to prepare for the changes the situation might require, in our offices, factories, warehouses and service organisations.

DeLaval is an important part of securing global food production. The food and agriculture sector has in relation to the effects of the Coronavirus been identified as a critical infrastructure sector in many countries. Our continued ability to, together with our dealers, perform services at dairy farms during restrictions in society is essential. We are doing everything we can to continue to serve them with as little disruption as possible, so they can continue to milk their cows.

The mid and long term consequences of the situation remains to be seen, but it will vary in different areas. We are here to support the farmer to supply food to the societies. A most important task during all times, and especially now.

The opportunities we foresee for 2020, we believe we create ourselves, rather than opportunities available to the market in general.

Joakim Rosengren

“Our strategy is centred around the customer. We know that the way to meet customer needs is to ensure improvements in food safety, work efficiency, animal welfare and farm profitability. These criteria are valid everywhere around the globe and help us focus our efforts in both R&D and sales. They are also important when we improve our internal productivity.”

FROM LEFT:
Johan Swahn – Legal Affairs
Jonas Hallman – Digital Services
Magnus Berg – Product Management & Development
Lars Johansson – Corporate Communications & Sustainability
John-Erik Hermanson – Supply Chain
Joakim Rosengren – President & CEO
Sören Lundin – Special Projects
Fernando Cuccioli – Cluster Americas
Johan Ledel – Cluster Asia & Pacific
Valerie Binner – Human Resources
Christian Poggensee – CFO
Paul Löfgren – Cluster EMEA
Tim Nicolai – Research & Innovation
DeLaval's latest connected services can contribute to a more sustainable business, both for DeLaval and farmers.

DeLaval’s latest connected services
Pilot projects have led to development of new connected services that will be launched in the coming years.

Following successful pilot farm projects in the Netherlands, Poland and Sweden, a connected service to monitor milk temperature and cooling systems was introduced. “This connected service allows informed decision making for servicing, ensures quality and avoids milk wastage,” says Åkerlund. “It can also act as quality assurance throughout the value chain to ensure the milk has been handled correctly.”

Another example is a connected pulsation monitoring system that will be released in the near future. This service monitors the actual usage of teat liners to ensure they are replaced at the optimal time. “By ensuring the right things are done at the right time at the farm, we can promote better decision making and ensure milking performance and optimal material utilisation to reduce waste,” says Åkerlund. “It also ensures they are not worn out, which can lead to poor milking and even poor udder health.”

Such new services will drive DeLaval’s sustainability strategy by ensuring we contribute towards more efficient resource use.

Training and advisory services empower customers to optimise their performance

Our training and advisory services ensure customers get the very best out of their DeLaval products – to deliver optimal performance on their farm.

DeLaval provides training for customers that have purchased new DeLaval equipment, and advisory services to optimise a particular farmer’s operations.

Training services – an excellent basis for profitability
DeLaval’s standardised training packages for a particular product take place on the customer’s farm to ensure they get the best possible basis for a profitable business. Our vision is to always deliver training for newly purchased equipment to ensure our customers really get the most out of their new product.

“Our training is always carried out by certified trainers to ensure they understand farm challenges and have excellent product knowledge, regardless of whether they are our own employees, a dealer or another external partner,” explains Emma Ahonen, Farm Advisory Service Manager for EMEA at DeLaval. “Our trainer certification, together with our work to standardise training in all markets, promotes a high standard of training throughout our offering.”

Tailored advisory services
We offer customised advisory services to both new and existing customers – with either a specific challenge they would like to overcome or simply to support their operation from the very start. “Either way, we put together a tailored package to cater for their particular needs, with specialist advisors that have the relevant expertise,” says Ahonen. “Such advisory services have increased milk production and profitability for our customers in markets all around the world.”

Advisory services are either provided on the farm with staff and farm managers or online.

“The benefit of our online services is that they can be conducted whenever and wherever,” says Ahonen. “We can monitor the farm remotely in real time from DePro™ Farm Manager, a cloud-based platform.”

“The online advisory services are currently being further developed and offered to more markets. We are also currently working to productise our assortment of training and advisory services into ‘products’ each with a clear scope as part of a comprehensive portfolio of services.

DeLaval InServices All-Inclusive ensures excellent support in China

The service team in China includes nearly 100 full-time certified service engineers that provide customers with 24/7 tailored services to meet their particular needs.

A unique customer offering
No other competitor can provide such strong service support for their Chinese customers, with many competitors heavily reliant on dealers. DeLaval InServices™ All-Inclusive provides clearly defined and consistent service procedures that have a fixed price and guaranteed quality. Quality is assured by supervising and monitoring procedures, and every service visit is followed up by a customer satisfaction survey that is conducted by a third-party organisation.

DeLaval InServices All-Inclusive include preventive maintenance, DeLaval Dynamic Analysis and DeLaval Clearing Analysis testing, udder health inspections, milk quality inspection and ISO certification. We also offer tailored customer training services, which can help to ensure a smooth start to operations, comprehensive milking procedure training and promote operational safety.

Customer added value
Benefits for the customer can include higher milking efficiency, better animal health and improved milk quality. Competitor companies that are conducted by our customers themselves show that the service from DeLaval typically outperforms competitors in terms of equipment performance, cost effectiveness, service frequency, as well as training quality and quantity.

One satisfied customer of many
DeLaval has worked closely with the Kang Hong farm in Hebei province, China, and provided various services since it was established in 2016. For example, DeLaval InService All Inclusive has overcome an abnormal milk taste issue that lasted several days and that other experts could not resolve. In four years, DeLaval’s high quality equipment has only suffered one minor glitch at Kang Hong, which was resolved by a DeLaval service engineer within two hours. The farm has also enjoyed good milk quality and animal health.
European young farmers General Assembly
During the year, DeLaval partnered with LRF (The Federation of Swedish Farmers) to host the General Assembly of the European Council of Young Farmers (CEJA) at DeLaval’s Hamra farm just outside Stockholm. The event featured a presentation from DeLaval experts on the future of data collection and management for dairy farmers, and a workshop on IOT (Internet of Things) technologies and when feed changes are required. “The cutting-edge equipment has enabled us to better monitor cow health and milk quality,” says Rauni Niskanen, the Dean of Faculty of Veterinary Medicine and Animal Science at SLU.

New e-commerce platform
A new digital engagement platform was piloted in Finland in 2019 – with aspirations for global roll out during 2020-21. The channel will ensure we stay relevant to a new generation of customers and promote our market share, while also generating revenue for our aftermarket assortment. “The introduction of e-commerce is a first step in developing and growing our digital customer relationships,” says Petter Sahlström, Strategic Commercial Development Director, EMEA. “The e-commerce channel will challenge our current business model and lead to increased price transparency.”

Collaboration with Swedish University of Agricultural Sciences
As part of a collaboration agreement, DeLaval donated four new DeLaval VMS™ V300 milking robots to the Swedish University of Agricultural Sciences (SLU) to milk their herd of 280 dairy cows. The state-of-the-art equipment has allowed SLU to step up its research by improving data collection and management. A DeLaval Herd Navigator™ also automatically analyses the milk to detect when the cows are in heat, if they are about to develop mastitis (udder inflammation) and when feed changes are required. “The cutting-edge equipment has enabled us to better monitor cow health and milk quality,” says Rauni Niskanen, the Dean of Faculty of Veterinary Medicine and Animal Science at SLU.

Boosting cow longevity and profit
Cluster EMEA launched a marketing campaign to raise awareness of how cow longevity can boost profit. The customer-targeted campaign focused on longevity, cow cooling, farm management, reproduction and barn stalling. “We involved all parts of the organisation and I am very pleased with the cross-portfolio activities and synergies,” says Willem Woudstra, CSM Farm Supplies EMEA. During the year, Cow Longevity events were held for solution managers in Sweden and farmers in the Baltics and France. Marketing materials on longevity and the farm visit station programme were communicated during the meetings.

New emerging market business model
DeLaval has won a 70 per cent market share in Croatia by connecting with dairies through Tetra Pak. “We used the same model in Albania where we educated farmers on nutrition and why hygiene and milk quality are important,” explains Aleksander Zemiber, Sales Manager in the Balkan region. “Through the dairies, we offer credit to farmers, which they pay back with milk.” These are significant opportunities for DeLaval to leverage Tetra Pak’s global presence by replicating the model in other emerging markets. By focusing on emerging markets, we can improve efficiency and reduce greenhouse gas emissions per kg of produced milk.

Comestar Holstein invests in robotic milking
The Quebec based dairy farm known across the globe for its outstanding genetics, signed an agreement to purchase a total of eight DeLaval VMS™ V300 with Herd Navigator™. A pillar of the Canadian Holstein industry, Comestar Holstein is preparing for a new phase in its history, one that will see them move to automatic milking. As well as an anticipated increase in yield, Comestar owners Marc and France Comtois, were very clear on the benefit of the new system for their much-envied Holsteins. “There will be more freedom and comfort for the animals,” says Marc.

Hamra Farm attractive to customers
Hamra Farm is DeLaval’s own innovation, testing, and exhibition centre, and one of Sweden’s most efficient dairy farms. The farm is a DeLaval subsidiary that also rents out properties, has crop husbandry, forestry, a gravel pit and a modern conference facility. Last year it welcomed around 3,000 visitors, and the number increases every year. The visitors are mainly farmers from all around the world who are interested in learning more about DeLaval and its products. Hamra Farm plays an important part in DeLaval’s global marketing.

Exposure-4-Development (E4D) in Brazil
DeLaval joined the International Federation of Agricultural Journalists (IFAJ) on their E4D trip to the Parana region of Brazil. This year, a group of selected journalists from all over the world were invited to learn more about farms, processors and companies that make up Brazil’s agricultural infrastructure. “It’s essential to showcase the nutritional value of dairy as a key player in providing nutrients to a growing world population. The E4D programme is an excellent initiative to understand how developing countries contribute to feeding the world,” says Lars Johansson, SVP Corporate Communications.

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Leading the industry around the world

EUROPE, MIDDLE EAST & AFRICA (EMEA)

The EMEA cluster is driven by customer demands for farm management that draw on high levels of automation and advanced technology.

In Europe, the large number of family farms, combined with the lack of labour in the dairy industry, is a solid base for the automatic milking market to expand further. Farmers are also seeking to increase their productivity and reach the highest standard of animal health and milk quality, supported by various automated sensor technologies. Meanwhile, animal welfare and environmental protection are hot topics with new regulation coming into force. The new CAP, which will also be launched in 2021, but should not reverse the expected rationalisation of the farming industry coming into force. The new CAP will also be important to meet the needs of the large-herd segment that automatically confirms pregnant cows. Healthier cows and greater productivity meets the needs of the large-herd segment for 1,000+ cows.

Producers in Latin America are also interested in robotics to increase milk production and modernise operations. DeLaval continues to benefit from the tremendous success of the largest robotic dairy in the world – Ancali Agrocolia in Chile where 72 VMS units milk 4,000 cows. Latin America also sees increasing demand for various solutions to improve milk extraction and farm management.

AMERICAS

The Americas cluster continues to be an important area for DeLaval, with the U.S. being one of our largest markets worldwide. The Americas produce more than 25 per cent of the world’s milk supply.

While challenges like extreme weather conditions and geopolitical uncertainties have created some volatility, a more favourable milk price and reduced trade tensions mean analysts are optimistic about the prospects for dairy in 2020.

Farm consolidation and labour shortages are driving the adoption of high-tech solutions to achieve scalability and greater efficiency. Dairy producers in the U.S. and Canada are already benefiting from the newly launched DeLaval VMS™ V310 milking system that meets the needs of the large herd segment for 1,000+ cows.

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ASIA PACIFIC

The Asia Pacific cluster provides a dynamic business environment with different farming styles – including traditional family farming systems in Japan, small herd production in India and South East Asia, low-cost pasture production systems in Oceania and intensive large farms that are growing rapidly across China and Russia.

Consumer demand projections for dairy products continue to grow rapidly throughout the region with many larger customers now operating outside their traditional country of origin. Increased automation, digitalisation and interconnectivity continue to be key customer demands. Data collection and milk analysis management are a major focus for our large customers, with products like the DeLaval Herd Navigator™ HN500 proving very successful in Japan.

Customer programmes like the InService™ All-Inclusive performance plans provide our customers with quality hygiene and heat care products, preventative maintenance programmes, and both off and on farm diagnostics. China has been very successful in the delivery of these programmes, including operator training, not only on equipment but also offering animal welfare and milk quality.

Digital services future proofing our business milking system

A new strategic direction taking shape to focus on enhancing our digital offering to ensure we stay competitive in the dairy farming industry.

Digital Services

In recent years, we have seen a strong market demand for technologies that support our farmers and partners in making better use of their equipment and utilising farm data to run more efficient and sustainable dairy operations. Today’s digital technologies are presenting us with many new opportunities in this area.

A new Digital Services team was created last year, which is responsible for our journey towards an aligned digital services offering. The team will establish a common DeLaval digital platform to collect and make use of data from our sensors on cows and equipment. With machine learning and deep learning technologies, this data will then be used in our digital services offering. Such services range from information on cow health and milk quality to equipment performance services, like remote surveillance for farmers and other partners. These services will be offered and sold through digital channels in alignment with our market area organisations.

DeLaval’s leading position in the market is based on innovations and our ability to bring a constant flow of relevant new products to our customers.

New opportunities from remote monitoring

We see a clear market demand for new technologies, which is constantly presenting us new opportunities and challenges that we need to grasp in order for us to drive a sustainable and forward-thinking business and industry. Digital technologies enable us to extend our current product offering to include digital services. There are opportunities for us in all three elements of our company strategy: Sales, Innovation and Productivity.

Digital and connected solutions allow remote monitoring of a farmer’s needs, including monitoring real-time data on an app from the other side of the world. “Remote management not only enables us to serve the equipment remotely, we can also compare performance with other farms to suggest efficiency improvements to the farmer’s operations,” says Jonas Hallman, Executive Vice President Digital Services.

Such solutions have the potential to deliver significant value to our customers – while creating new business opportunities for DeLaval.

Introducing the next generation of robotic milking system

The DeLaval VMS™ V310 milking system is a new concept in automatic milking that incorporates a complete reproduction management tool to enable farmers to save time and reduce costs.

The DeLaval VMS™ milking system is already the most effective on the market while also monitoring cow health and performance. With the VMS™ V310, DeLaval built on its industry-leading expertise to take milking to the next level.

Based on the latest technology

The V310’s state-of-the-art features include the new DeLaval RePro™ that uses progestate- none-based sampling and analysis to detect heat and pregnancy in real time as well as cows that are not cycling as they should. This provides dairy farmers with accurate insights into the reproductive status of each cow in their herd, and allows them to save both time and costs associated with managing reproduction and unwanted open days.

Healthier cows and greater productivity

DeLaval VMS V310 is the first milking system that automatically confirms pregnant cows. This can result in healthier cows and reduced veterinarian costs due to cows becoming pregnant at the right time with more productive lactations.

“With VMS V310, the robot manages 90 per cent of the tasks,” says Christian Lagret, DeLaval VMS V310 owner, France. “PiePro ensures that ultrasound is hardly needed anymore because the system informs the farmer when cows are pregnant.”

With two models available, farmers can choose the voluntary milking system that best meets their needs. The new DeLaval VMS™ V310 milking system was launched on 1 January 2020.
We make sustainable food production possible

We have refined our approach to sustainability to ensure it covers everything we do – both within our company and how we benefit our customers. Based on direct customer insight and our materiality analysis, we developed a new sustainability model in 2019. The model focuses on three main perspectives – Environment, Food and Animal Welfare, and Social and Economic.

Environment

The greatest environmental contribution we can make is on the farms of our customers as we strive to reduce the environmental impact of every litre of milk produced. This typically involves providing solutions that improve efficiency and milk yield.

Within our own operations, we are committed to constantly finding ways to reduce waste, and the use of energy and water. We are also committed to contributing towards a low carbon economy by taking action to combat climate change and its impacts.

Food and animal welfare

Contaminated milk presents obvious risks to both consumer health and the operations of our customers. Food safety is critical for all parts of the dairy value chain. We work with food safety through stringent compliance controls but also by promoting animal welfare.

A healthy animal provides more milk, at a better quality and for more years. By providing better conditions for animals, farmers can improve the animal’s health and longevity while at the same time maintaining or improving farm profitability and reducing their environmental impact.

Social and economic

Social sustainability involves respecting and advancing human rights as they are defined by the UN. Economic sustainability is how we create long-term economic growth without negatively impacting social or environmental sustainability.

Our Corporate Governance framework including our Code of Business Conduct guides us in how to act sustainably, and in compliance with laws and ethical standards. Through innovation, we provide solutions to dairy farmers to make their lives easier and their farms more profitable whilst reducing their environmental impact.

Key sustainability challenges for DeLaval

During 2019, we identified 12 key sustainability challenges that we will focus on. Each challenge is driven by a member of our Group Management and during 2020 we will work on setting targets for our challenges.

Environment

Waste and recycling
Sustainable waste management and recycling policies.

Emissions to air
Reduction of carbon emissions throughout the whole value chain.

Natural resources
Usage of materials in a way that does not lead to the depletion of natural resources.

Water use
Responsible water use in both products and processes.

Food and animal welfare

Food safety
Meet all regulations regarding food safety to ensure milk is safe to consume.

Animal welfare
Extend longevity and improve milk yield by creating the best possible living standards for cows on farms.

Product development
Develop products that increase productivity to help farmers do more with less.

Partnerships
Ethical business partnerships that can help us achieve our corporate goals.

Social and economic

Diversity and inclusion
An inclusive work environment with equal opportunities for all.

Employee satisfaction & wellbeing
A safe and healthy work environment with an ambition to have zero accident and no work-related illness.

Profitability
Make sure both our own operations and our customers’ businesses are profitable in the long-term.

At DeLaval we aim to contribute toward the UN Sustainable Development Goals. The most relevant goals to our business are:

1. Zero hunger
2. Gender equality
3. Affordable and clean energy
4. Decent work and economic growth
5. Responsible consumption and production
6. Clean water and sanitation
7. Climate action
8. Partnerships for the goals

The United Nations has set 17 sustainable development goals as a blueprint to achieve a more sustainable future for all. These goals address the global challenges we face today covering areas such as poverty, inequality and climate change. At DeLaval, we have looked at how we can contribute to these goals based on the challenges facing our customers and our industry.

Within our three sustainability categories, we have identified the following UN Sustainable Development Goals and the specific targets that the UN has set for each goal where we believe we can contribute the most.