

Sustainable Economies Due diLigence:
good EXamples and the role
of social dialogue

Deutsches Milchkontor eG Germany

CASE STUDY
AGRICULTURE AND FOOD INDUSTRIES

PROJECT NO. 101126464

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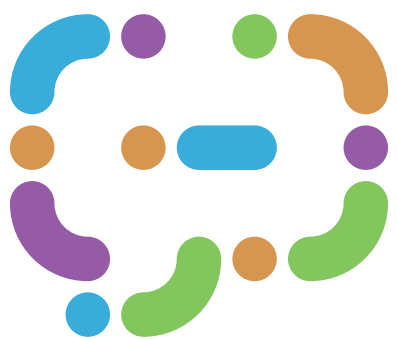
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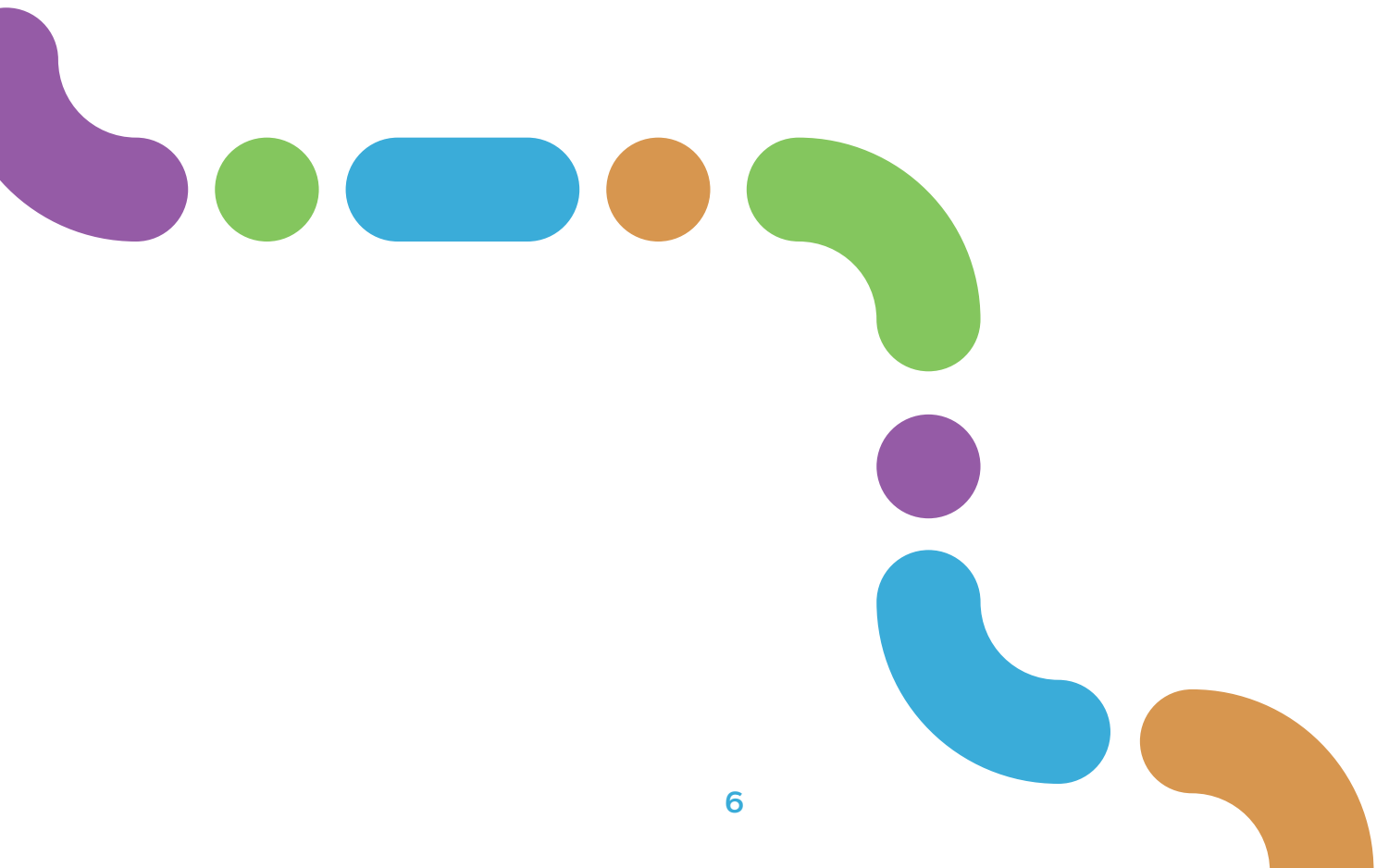
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01

Organisational model and legal status



Case study: DEUTSCHES MILCHKONTOR E.G – GERMANY

Deutsches Milchkontor (hereinafter referred to as “DMK”) is the biggest dairy cooperative and one of the biggest dairies of any type in Germany.

Headquartered in Bremen, DMK operates at 20 locations in Germany and the Netherlands, and has 6,800 employees. The 4,000 members are farmers who supply the milk used to produce a wide range of products for consumers and industry. While DMK undertakes to purchase all the milk its members can supply, regardless of circumstances, the members must deliver their milk exclusively to DMK.

The members of the German cooperative DMK eG and the Dutch cooperative DOC Kaas U.A. jointly own the subsidiary company DMK GmbH. So, while the two cooperatives are responsible for the procurement of the raw material milk, DMK GmbH is responsible for the operating business of collecting and processing the milk of all the members in the Netherlands and Germany.

Both DMK eG and DMK GmbH have supervisory boards with parity representation. This means that six members are appointed by the shareholder’s meeting and six more are elected by the employees.

DMK eG also has a so-called *Vertreterversammlung* (representatives’ meeting), which is convened once a year. It is the supreme body of DMK GmbH and is headed by the chairman of the executive board. The ‘representatives’ each represent 25 members of the cooperative and are elected for five years. The main tasks of the *Vertreterversammlung* are to elect the members of the supervisory board, decide on

amendments to the articles of association, adopt the annual financial statements and allocate the net profit for the year.

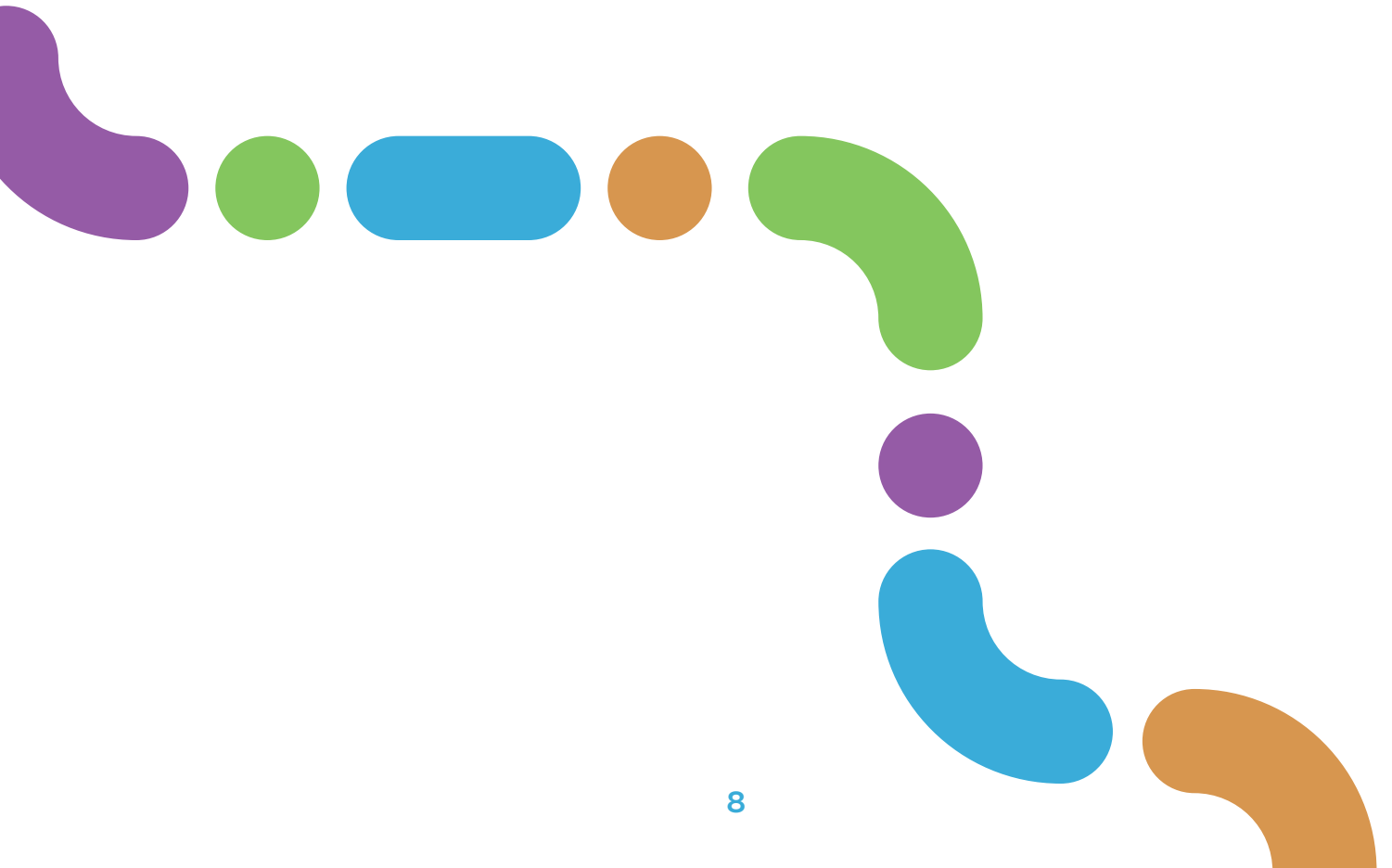
Another essential body is the advisory board, whose members discuss all key strategic decisions of the DMK Group. The supplementary advisory board has the right to propose candidates for election to the executive board and supervisory board.

The executive board of DMK eG leads the cooperative and the day-to-day operations. It sets the direction for DMK GmbH by making key decisions such as investment planning. The highest body of DMK GmbH is the *Gesellschafterversammlung* (members’ meeting). DMK eG is the main shareholder of DMK GmbH and is represented by the executive board.¹

¹ DMK Deutsches Milchkontor GmbH (2024): Unsere Verantwortung: Ein Update zur Nachhaltigkeit bei DMK, S. 41.

02

Background of the company



Case study: DEUTSCHES MILCHKONTOR E.G – GERMANY

DMK was formed in 2011 from a merger of the two cooperatives Humana and Nordmilch, leading German dairy companies which in 2009 made sales of €1.7 and €1.9 billion respectively. They started working together in 2005 when they founded a joint company for processing speciality dairy products, with each taking a 50% share. A few years later, they merged their sales operations and finally merged completely in 2011.²

The company processes around 5.5 billion kg of milk every year. DMK is the only German dairy to offer the full range of products based on milk as a raw material. Although the name “Deutsches Milchkontor” may not be familiar to many people, the company’s brands Milram, Oldenburger and Humana are much better known.

The majority of DMK’s business is done in Europe, while the export business has declined over the past years. The reasons for this are that the products are now considered too expensive in many countries to which they were previously exported, or that countries such as China are restricting the import of foreign milk in order to support their own dairy companies.

The group generated sales of €5.5 billion in 2023, on a par with the previous year.

DMK has adopted a strategy called Vision 2030, which among other things describes its sustainability strategy, based on “acting in harmony with people

and nature along the value chain”.³ The focus is on climate protection, animal welfare, biodiversity and people.

The company emphasises the relevance of becoming active and taking action at an early stage. The aim is to strengthen the importance of agriculture at an early stage and show that it can be part of the solution. Vision 2030 was launched back in 2018. In 2021, DMK joined the UN-sponsored Science-Based Targets initiative (SBTi)⁴ to reaffirm its commitment to greater sustainability. As part of this work, DMK pledged to “contribute to limiting global warming [...] in line with the Paris Agreement.”⁵

2 DMK Group (2024): Unsere Geschichte: <https://dmk.de/de/einblicke/artikel/unsere-geschichte> [retrieved on: 09.01.2025]

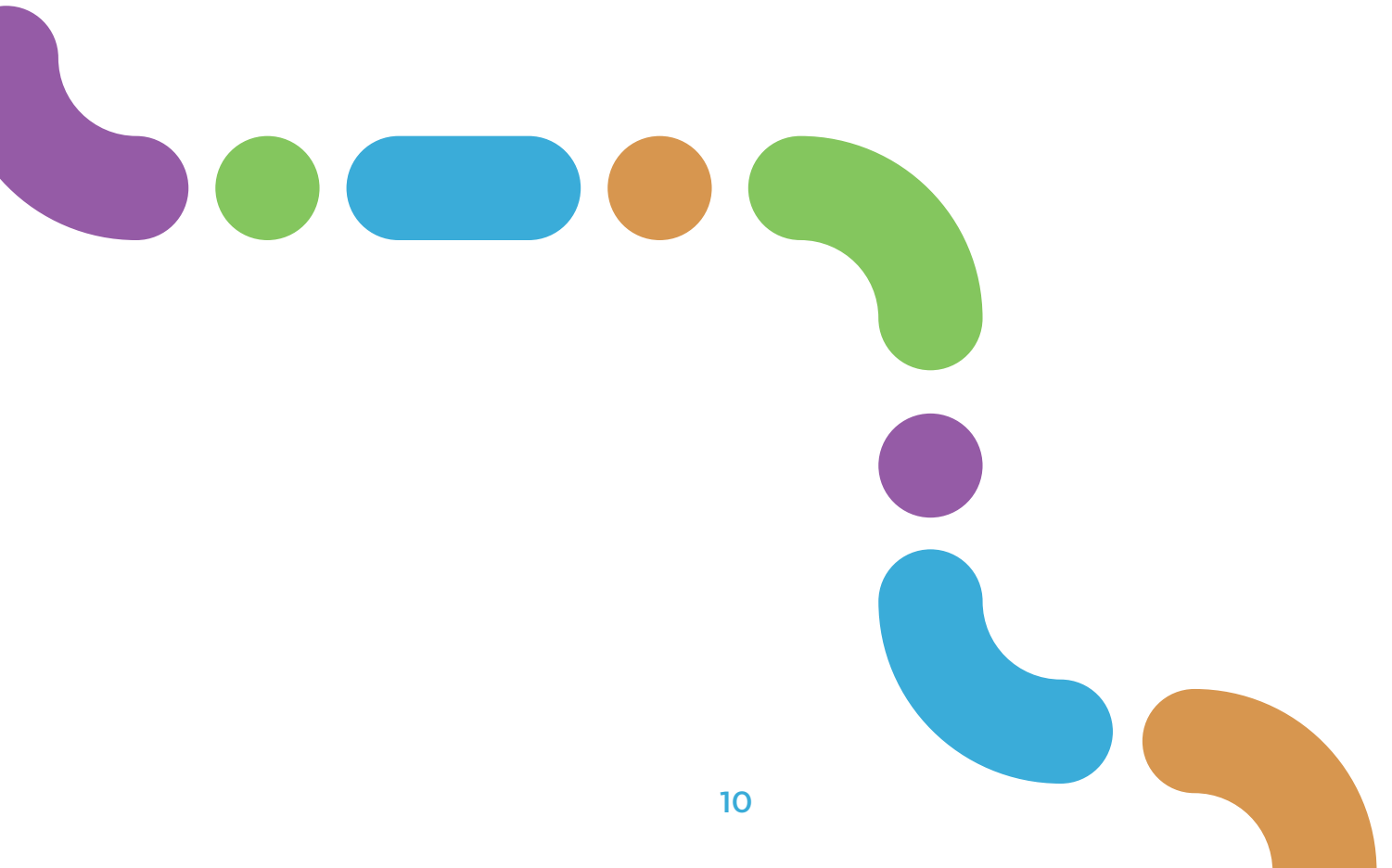
3 DMK Deutsches Milchkontor GmbH (2024): Unsere Verantwortung: Ein Update zur Nachhaltigkeit bei DMK, S. 4

4 The Science Based Targets Initiative (SBTi) is a joint initiative of various non-profit organisations and the UN. It “provide[s] companies with a clearly-defined path to reduce emissions in line with the Paris Agreement goals” and reviews and validates companies’ own climate targets. (SBTi: About science-based targets: <https://sciencebasedtargets.org/how-it-works> [retrieved on 20.12.2024])

5 DMK Deutsches Milchkontor GmbH (2024): Unsere Verantwortung: Ein Update zur Nachhaltigkeit bei DMK, S. 10

03

Corporate sustainability due diligence (CSDD)



Case study: DEUTSCHES MILCHKONTOR E.G – GERMANY

Since there are around 3.8 million dairy cows in Germany,⁶ dairying plays a key role when it comes to the climate. The reason for this is the greenhouse gas methane, which has many times the warming power of carbon dioxide in the atmosphere. Methane is therefore described by many environmental organisations as significantly more harmful than the much-discussed carbon dioxide.⁷ 76 percent of methane emissions in Germany in 2022 were attributable to agriculture,⁸ the majority coming directly from the stomachs of ruminants. The storage and decomposition of manure and slurry plays a smaller, but nonetheless important, role.⁹ Globally, agriculture's share of methane production is lower at 40% – but it is nevertheless ahead of fossil fuels such as coals, gas and oil.

A special feature of methane is its short-term effect, which leads to a very strong greenhouse effect in the short term, but also opens up opportunities. Compared to carbon dioxide, methane decomposes quickly and only remains in the earth's atmosphere for around 12 years. Efficient mitigation measures can therefore take effect relatively quickly and make

a significant contribution to meeting the 1.5-degree limit.¹⁰

DMK is aware of these connections and recognises its own role: "As agriculture plays an important role in combating climate change, we are also looking for innovative concepts and solutions."¹¹ Farmers themselves are also pushing for a focus on climate change. The consequences have long been felt in their work too. Changing and extreme weather conditions are causing crop yields to fluctuate and quality to suffer. Compensating for a lack of feed leads to high costs for farmers. Adaptation and innovation are essential in order to remain viable and to make the farming profession attractive to future generations.

There is also pressure from another side to address the issue of sustainability. Many of DMK's industrial and retail customers have "already set themselves ambitious climate targets and have to report their emissions annually."¹² To do this, they need the emissions data for DMK products. For many customers, the share of milk and meat suppliers accounts for the majority of their total emissions.

6 Röder, Marius und Dr. Ulrike Eberle (2024): Dürren, Fluten, Klimakrise: Die Milch macht's: Treibhausgasemissionen der deutschen Milchwirtschaft, S. 4.

7 Umweltbundesamt (2024): Lachgas und Methan: <https://www.umweltbundesamt.de/themen/landwirtschaft/umweltbelastungen-der-landwirtschaft/lachgas-methan> [retrieved on: 09.01.2025]

8 Umweltbundesamt (2024): Lachgas und Methan: <https://www.umweltbundesamt.de/themen/landwirtschaft/umweltbelastungen-der-landwirtschaft/lachgas-methan> [retrieved on: 09.01.2025]

9 Loza, Cecilia et al (2021): Methane Emission and Milk Production from Jersey Cows Grazing Perennial Ryegrass-White Clover and Multispecies Forage Mixtures: <https://www.mdpi.com/2077-0472/11/2/175> [retrieved on: 23.01.2024]

10 Röder, Marius und Dr. Ulrike Eberle (2024): Dürren, Fluten, Klimakrise: Die Milch macht's: Treibhausgasemissionen der deutschen Milchwirtschaft, S. 3-4.

11 DMK Group (2024): "Net Zero Farms" für eine nachhaltigere Landwirtschaft: <https://dmk.de/de/einblicke/artikel/net-zero-farms-fuer-eine-nachhaltigere-landwirtschaft> [retrieved on 09.01.2025]

12 DMK Deutsches Milchkontor GmbH (2024): Unsere Verantwortung: Ein Update zur Nachhaltigkeit bei DMK, S. 37

As already mentioned, the four key areas of action of the DMK sustainability strategy are climate protection, animal welfare, biodiversity and people. DMK has set itself targets in each field:¹³

✦ **Climate protection:** DMK aims to reduce CO₂ emissions in the value chain by at least 20% by 2030. The energy savings should amount to approximately 14.8 million kWh. DMK is currently well on the way to, but has not yet fully achieved, the planned reductions. The reason for this is that the focus in recent years has been on creating transparency with the farmers. This is currently changing and many investments, such as in feed additives or manure separation, could become necessary.

✦ **Animal welfare:** In recent years, society has become more aware of animal welfare. DMK is increasingly promoting measures that improve the lives of animals. The focus here is on the somatic cell count and the age of the cows. Improved animal welfare prolongs the life of cows and therefore also has an economic benefit.

✦ **Biodiversity:** DMK aims to contribute to the preservation of biodiversity with various projects on the farms and at the company's locations. These projects range from research collaborations with third parties to specific recommendations to DMK farmers.

✦ **People:** The focus here is not only on the millions of end consumers who are to be supplied with high-quality products. With regard to the company's own

structures, the focus is on the occupational safety of employees, and specifically on accident figures.

A central element of “responsible milk production”,¹⁴ but also in the implementation of important measures in the sustainability strategy, is the self-developed Milkmaster programme which was introduced in 2015. At the heart of the programme, which functions as a quality management system, is the production code for all DMK milk producers. This formulates “clear recommendations and expectations on the topics of animal welfare, animal health, the environment and climate protection as well as economic and social issues”.¹⁵ The content of the Milkmaster programme adapts dynamically to the constantly changing industry and market and therefore to the spirit of the times. Topics are often introduced into the programme on a voluntary basis and later adopted as standard. Currently, for example, demand from the trade for milk produced to “Haltungsform 3” standards¹⁶ is increasing. DMK is therefore incentivising its farmers by offering a higher price to those who comply with the “Haltungsform 3” criteria. It is quite possible that sooner or later “Haltungsform 3” milk will become the standard in the Milkmaster programme's production code.

¹⁴ Ibid, S. 14

¹⁵ Ibid, S. 14

¹⁶ Meat and dairy products are labelled for sale in German supermarkets and discounters according to a voluntary, five-stage label. The classification criteria include animal feed, the amount of space available, the type of husbandry (tethering, stall housing, loose housing, grazing) and the availability of comfort facilities for the animals. (Gesellschaft zur Förderung des Tierwohls in der Nutztierhaltung mbH (2024): Die Siegel in der Haltungsform; Mindestanforderungen für Tierwohlprogramme: <https://haltungsform.de/im-ueberblick/>; <https://haltungsform.de/kriterien-5stufig/> [retrieved on: 16.12.2024])

¹³ DMK Deutsches Milchkontor GmbH (2024): Unsere Verantwortung: Ein Update zur Nachhaltigkeit bei DMK, S. 7

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DMK also offers milk producers the opportunity to carry out a “climate check” as part of the Milkmaster programme. The check is intended to provide farmers with important insights into their own business and its carbon footprint as well as to identify starting points for improvement with regard to the programme’s key topics. The climate check is voluntary. DMK rewards participation with a bonus. 81 percent of DMK farmers took part in 2023.¹⁷

Another key element of the corporate sustainability strategy is the “Net Zero Farm” pilot project which was started in 2022. Most emissions are produced in direct connection with milk, i.e. in agriculture. Efforts to continuously improve other areas, such as packaging,¹⁸ are also on DMK’s list, but it nevertheless makes sense that the focus is on agricultural production. This is being examined in detail in the pilot project. Net Zero Farms are looking for sustainable innovations for tomorrow that are not only feasible for the broad range of farmers, but also modernise agriculture and make it fit for the future. Four farms are part of the programme and are therefore so-called “Net Zero Farms”. The farmers on these farms are closely supported by DMK. Third-party organisations such as animal nutrition specialists, agricultural trading companies and institutes for agricultural technology and bioeconomy are also supporting the project. Together, they are testing various climate

measures to reduce the CO₂ footprint by the end of 2025. The focus here is on farm management, fodder and arable farming as well as energy production. The entire value chain is addressed. Where possible, the knowledge gained from this will be converted into concepts and standards for greater sustainability that can be applied across the board on all farms – perhaps also through the Milkmaster programme. After the first year, success was already evident: at least 10% of the farms’ emissions were saved.^{19, 20}

One top priority of DMK’s sustainability strategy is to think and act with foresight. This is evident not only in programmes such as Net Zero Farms, but also in other individual programmes, such as the “B-WaterSmart” research project. In this programme, together with partners from research and industry, DMK is looking for ways to reduce drinking water consumption or even new ways to obtain it. They are developing so-called “cow water”, which is produced during the condensation of whey. The aim is to replace up to 50% of fresh water requirements by recycling this water.²¹

According to CSRD, DMK is required to report from 2025 and must therefore publish an official report in 2026. Next year, DMK will already test reporting according to CSRD. The first double materiality test has already been completed. In addition to CSRD,

17 DMK Deutsches Milchkontor GmbH (2024): Unsere Verantwortung: Ein Update zur Nachhaltigkeit bei DMK, S. 14-15

18 DMK is constantly working on improving recyclability, saving material and using new, more sustainable materials. In doing so, they are not only responding to consumers’ wishes, but also implementing the requirements of the German Packaging Act. (DMK Deutsches Milchkontor GmbH (2024): Unsere Verantwortung: Ein Update zur Nachhaltigkeit bei DMK, S. 34-35)

19 DMK Group (2024): “Net Zero Farms” für eine nachhaltigere Landwirtschaft: <https://dmk.de/de/einblicke/artikel/net-zero-farms-fuer-eine-nachhaltigere-landwirtschaft> [retrieved on 09.01.2025]

20 DMK Deutsches Milchkontor GmbH (2024): Unsere Verantwortung: Ein Update zur Nachhaltigkeit bei DMK, S. 12-13

21 DMK Deutsches Milchkontor GmbH (2024): Unsere Verantwortung: Ein Update zur Nachhaltigkeit bei DMK, S. 22

the German *Lieferkettensorgfaltspflichtengesetz* ²²(hereinafter: LkSG) applies to the cooperative. The DMK Group has ensured that “all measures were implemented in good time”.²³ This includes, for example, the obligatory risk assessment, which is now an established procedure in the company. In addition, the existing complaints procedure was expanded and an officer was officially appointed to monitor the implementation of the LkSG requirements. A central element in this implementation is the Supplier Code of Conduct, which has been in place at DMK since 2020 and was recently adapted to the LkSG. It not only provides “guidelines for transparent, ecological and sustainable transport”,²⁴ but includes “social criteria such as ensuring human rights throughout the value chain”.²⁵ DMK also offers training for suppliers and service providers on the Supplier Code of Conduct and tries to communicate with them at an early stage.²⁶

report, which also serves as a central source for this report, the GRI Standards 2021 of the Global Reporting Initiative were applied for the first time.²⁷ These standards, whose adoption is voluntary, serve as a proven and internationally recognised framework for comprehensive and transparent sustainability reporting. They also help to fulfil legal requirements for non-financial reporting.

In DMK’s most recently published sustainability

22 The *Lieferkettensorgfaltspflichtengesetz* (Supply Chain Due Diligence Act) obliges companies in Germany to identify and assess human rights and environmental risks in their supply chain and to take appropriate measures to prevent and remedy them. Companies must prepare an annual report on the fulfilment of their due diligence obligations and make it publicly available. In addition, the report must be submitted to the Federal Office of Economics and Export Control (BAFA), which monitors compliance with its obligations and can sanction violations. It has applied to companies with at least 3,000 employees since 1 January 2023. (§10 Absatz 2 LkSG), (Bundesministerium für Arbeit und Soziales (2024): Fragen und Antworten zum Lieferkettengesetz: https://www.csr-in-deutschland.de/DE/Wirtschaft-Menschenrechte/Gesetz-ueber-die-unternehmerischen-Sorgfaltspflichten-in-Lieferketten/FAQ/faq.html?utm_source=chatgpt.com, retrieved on 17.12.24)

23 DMK Deutsches Milchkontor GmbH (2024): Unsere Verantwortung: Ein Update zur Nachhaltigkeit bei DMK, S. 30

24 DMK Deutsches Milchkontor GmbH (2024): Unsere Verantwortung: Ein Update zur Nachhaltigkeit bei DMK, S. 17

25 Ibid.

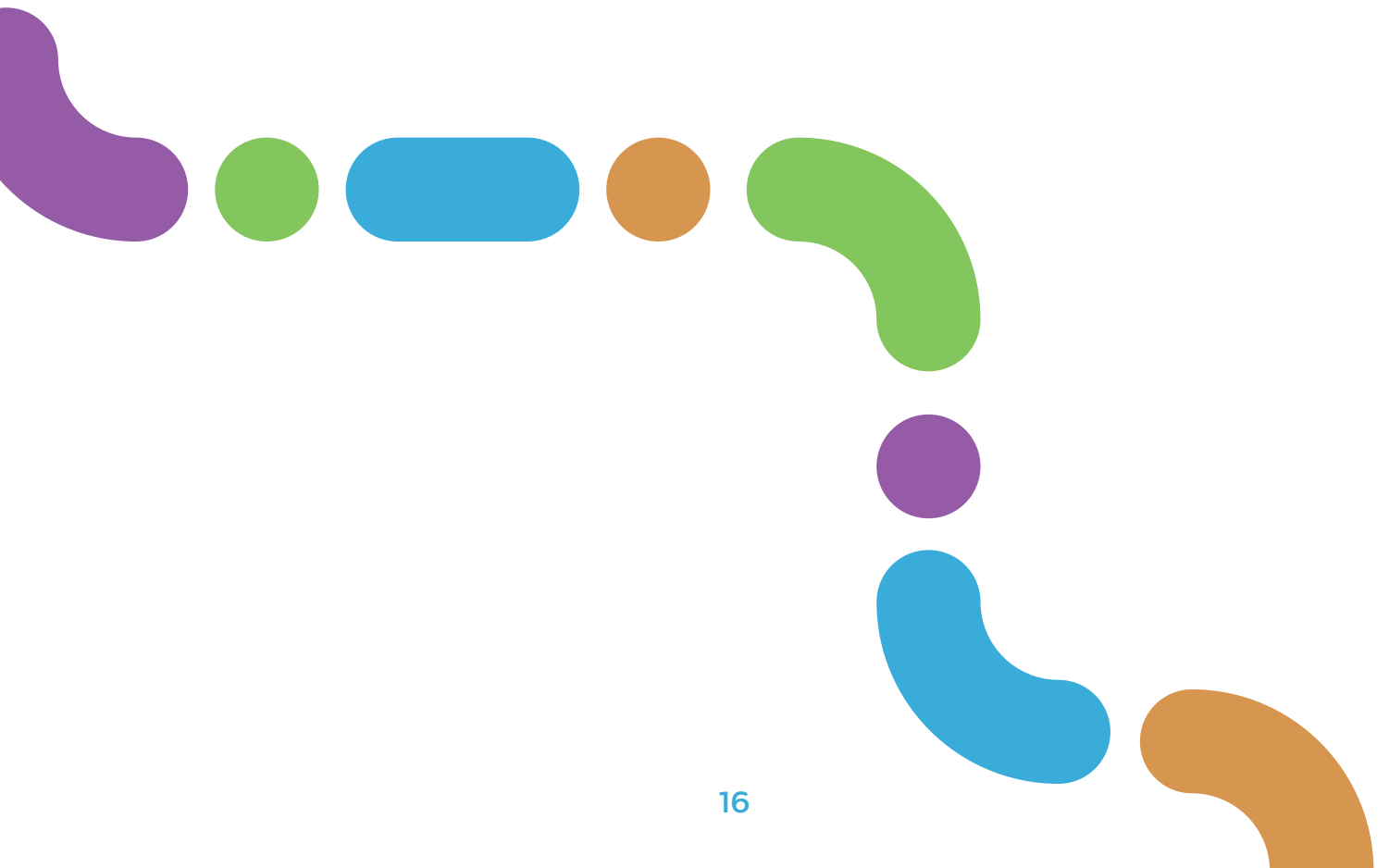
26 Ibid.

27 Ibid, S. 45



04

Social dialogue



Case study: DEUTSCHES MILCHKONTOR E.G – GERMANY

Section 1 has already outlined the main structures and bodies of the DMK cooperative. In total, over 300 members are actively involved in the cooperative structures of DMK on a voluntary basis. In this way, they promote the exchange of information between member farmers and the bodies of the cooperative and therefore the company. Work and exchange in committees plays a central role at DMK – there is even a separate department for committee work. This intensive work can sometimes mean that it takes longer to deal with certain issues and, where necessary, to make decisions. On the other hand, it ensures that everyone is involved and that DMK's values are taken into account at all times.

DMK emphasises that the cooperative provides the structure – the committees are composed of members and employees and thus come to life. In addition to the cooperative committees, DMK provides other platforms for exchange. For example, there is a milk producer advisory service where DMK's head office advises and supports farmers on various challenges. The head office organises regular information events on a variety of topics. Finally, there is an ideas competition, where farmers can make suggestions on selected topics. These examples show that, in addition to the established cooperative structures, there are other structures and channels that promote exchange and the model of joint business.

The cooperative model has no influence on employee representation with regard to works councils or supervisory boards, which is regulated by the *Betriebsverfassungsgesetz* (BetrVG – Works Constitution Act).

A look at the 2023 annual financial statements of DMK GmbH shows that, in addition to management members such as two plant managers, the supervisory board includes not only shareholders, but also the chairman of the general works council of DMK, the chairman of the works council of a DMK plant and two representatives of the NGG²⁸ trade union. The deputy chair is an NGG official.²⁹ The relationship between the NGG and the DMK works council is close: both are in constant contact with each other and work together in many areas.

The works council's economic committee also plays an important role in employee representation. At DMK the economic committee does not have a specific focus on sustainability. Nevertheless, the committee is a key instrument for the works council to obtain important information. With regard to sustainability, § 106 of the *Betriebsverfassungsgesetz* (Works Constitution Act) was amended so that members have the explicit right to be informed by the employer on "issues of operational environmental protection"³⁰ and "issues of corporate due diligence in supply chains in accordance with the *Lieferkettensorgfaltspflichtengesetz*"³¹ (Supply Chain Due Diligence Act). In addition, the works council is kept informed of relevant sustainability issues through regular meetings with the management.

It should be noted that members of the works council and supervisory board may not exchange information that they have received in the course of their duties.

28 Nahrung Genuss Gaststätten (Food, Beverages and Catering)

29 DMK Group (2024): Jahresabschluss 31.12.2023, S. 19.

30 §106 Absatz 3 Satz 5a BetrVG

31 §106 Absatz 3 Satz 5b BetrVG

The following information does not apply to DMK, but is provided to illustrate selected rights of German works councils with regard to ESG topics.

§ 80 BetrVG (*Betriebsverfassungsgesetz*) stipulates that works councils must “promote occupational health and safety and company environmental protection measures”.³² To this end, the employer must inform the body or committees of the works council comprehensively and in time, and must make the necessary documents available to it. In addition, the works council may, by agreement with the employer, call in experts to assist it in fulfilling its duties.

§ 89 BetrVG emphasises that the works council must be consulted not only “on all inspections and issues relating to occupational health and safety or accident prevention”,³³ but also on all issues relating to environmental protection at the workplace. This refers to “all personnel and organisational measures as well as all measures relating to company buildings, premises, technical equipment, work processes, work procedures and workplaces [...] which serve to protect the environment.”³⁴ In addition, the employer must provide the works council with all “protocols of investigations, inspections and meetings”.³⁵ This could include, for example, protocols of inspections relating to sustainability reporting or external statements on environmental issues. The duty of the works council to “work to ensure that the regulations on occupational health and safety and accident

prevention in the company and on operational environmental protection are implemented”³⁶ in conjunction with the co-determination rights under § 87 BetrVG leads to various works council initiatives in practice, for example the introduction of a job ticket, the conversion of the company car fleet to e-mobility,³⁷ the abolition of disposable items³⁸ or the co-design of complaints procedures.³⁹ As stated, these are general examples from works council work, not examples relating to DMK.

It became clear that the works council not only has rights relating to “E” (Environment) aspects, but also to “S” (Social) aspects. As already shown, this includes occupational safety, but it also covers, for example, vocational training. According to §§ 96-98 BetrVG, the works council can demand that the employer determine the vocational training needs and discuss them with the works council. The works council was also given the right to appeal to the so called *Einigungsstelle* (conciliation committee)⁴⁰ if no agreement can be reached. However, in this case, unlike in other cases, the *Einigungsstelle* must only attempt to mediate and cannot issue a ruling. This shows that the works council has a significant influence on training and continuing education. The regulations protect employees from being left behind

32 § 80 BetrVG Absatz 1 Satz 9

33 § 89 BetrVG Absatz 2

34 § 89 BetrVG Absatz 3

35 § 89 BetrVG Absatz 5

36 § 89 BetrVG Absatz 1

37 § 87 BetrVG Absatz 1 Satz 10

38 § 87 BetrVG Absatz 1 Satz 8

39 § 87 BetrVG Absatz 1 Satz 1

40 A conciliation committee (*Einigungsstelle*) is a dispute resolution body in German labour law that mediates between employers and the works council when they cannot reach an agreement on co-determination matters. It consists of an equal number of representatives from both sides and a neutral chairperson. Its decisions are binding unless challenged in court.

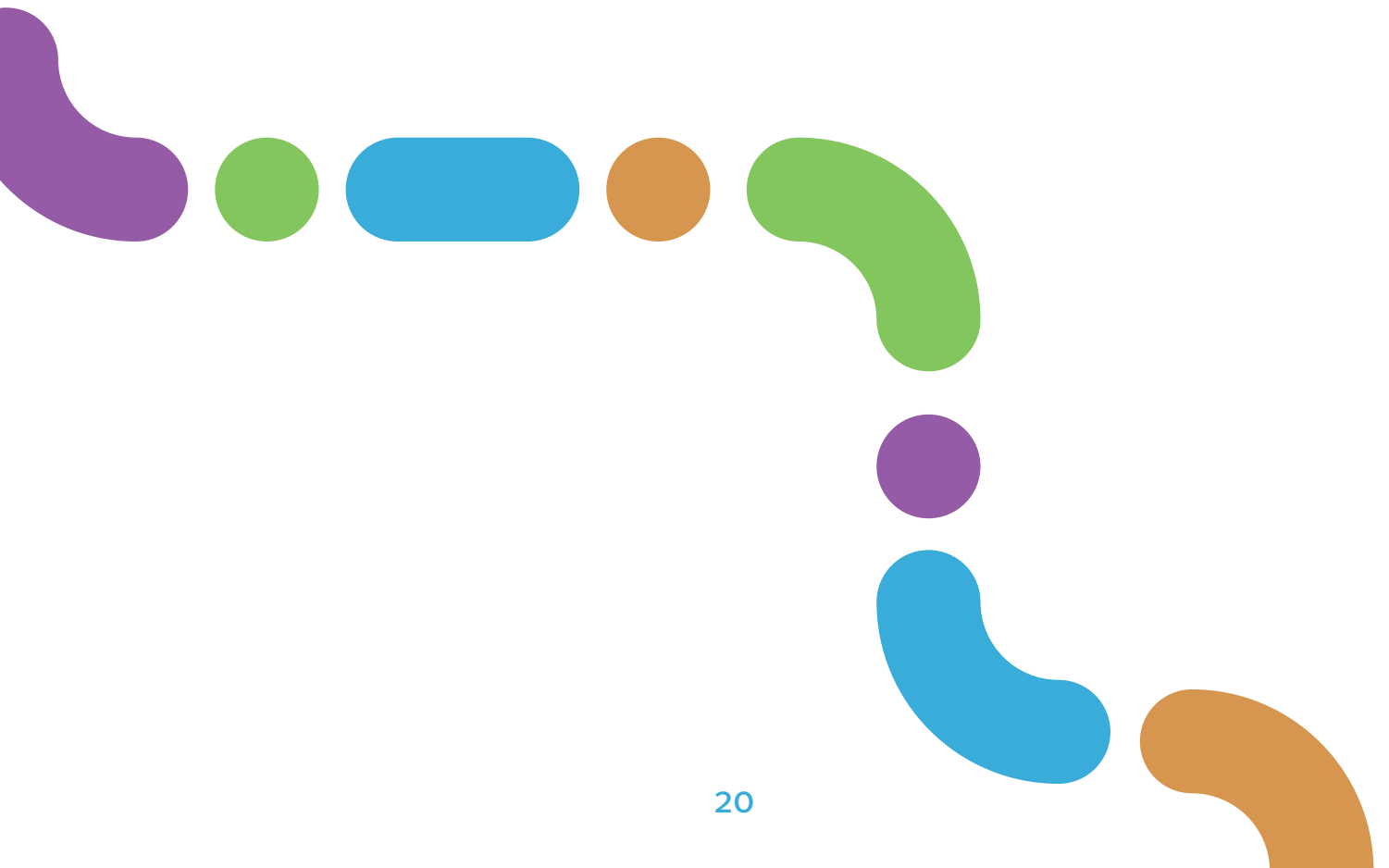
Case study: **DEUTSCHES MILCHKONTOR E.G - GERMANY**

by technical or organisational developments, and promote equal opportunities in continuing education.

The right of co-determination under § 87 BetrVG also covers governance. This means that the works council has a say in the creation of internal guidelines on compliance and ethics. Examples of this are anti-corruption guidelines or whistleblower protection programmes.

05

Challenges and opportunities



Case study: DEUTSCHES MILCHKONTOR E.G – GERMANY

One of the biggest challenges is the uncertainty surrounding the various legislative efforts at national and EU levels. DMK has already invested considerable resources in adapting its own processes and structures. Legislators have repeatedly questioned and adapted proposed legislation, which has led to great uncertainty on the company's part as to what they now need to prepare for.

The following challenges affect DMK as a company and as a cooperative.

DMK's milk producers all see themselves as independent and autonomous entrepreneurs. In some places, it can be a challenge to involve the many farmers at their individual positions and pursue a common strategy. The Net Zero Farm programme is helpful here. The aim of the programme is not only to research and test new innovative standards for everyone, but also to show the broad mass of farmers what is possible and how. This makes the demand for "more sustainability" more tangible and understandable for farmers, who support the goal per se and see it as necessary, as it makes visible what working on a more sustainable farm can look like. The aforementioned political climate makes this undertaking even more difficult, as it is much harder to convince farmers if there is a feeling that there are no clear political decisions and that foreign competitors, for whom Germany has become an attractive market, may have to adhere to fewer guidelines than DMK farmers.

DMK repeatedly issues tenders when, for example, the demand for certain products or conditions, such

as "Haltungsform 3", increases. This poses challenges for the company due to its cooperative organisation. For the tenders, this means that more milk may be supplied than was tendered for or that the milk may come from corners far away from each other, which leads to high processing costs, as the milk tendered for has to be processed separately from the conventional milk at several different production sites. A central principle of the cooperative is the equal treatment of all members, which means that farmers who have applied for the tender cannot be summarily rejected.

Another challenge posed by the cooperative model is the sometimes slow passage of decisions through the various committees. In some places, it is not possible to make quick decisions and process issues quickly. On the other hand, it is precisely this broad positioning of a cooperative that is a great strength. When it comes to sustainability, it is clear that the members – and above all the volunteers – play an essential role in achieving the goals that have been set. There is a high level of identification with DMK, including among employees, and everyone has a strong interest in ensuring that the company is doing well and producing good products. The cooperative model naturally reinforces this, as it is not just "a" company, but "our" company.

Finally, a look at DMK's products reveals both opportunities and challenges. In contrast to the core products, which derive from milk, DMK has also developed plant-based products and has been selling these since 2022. DMK wants to tie in with the

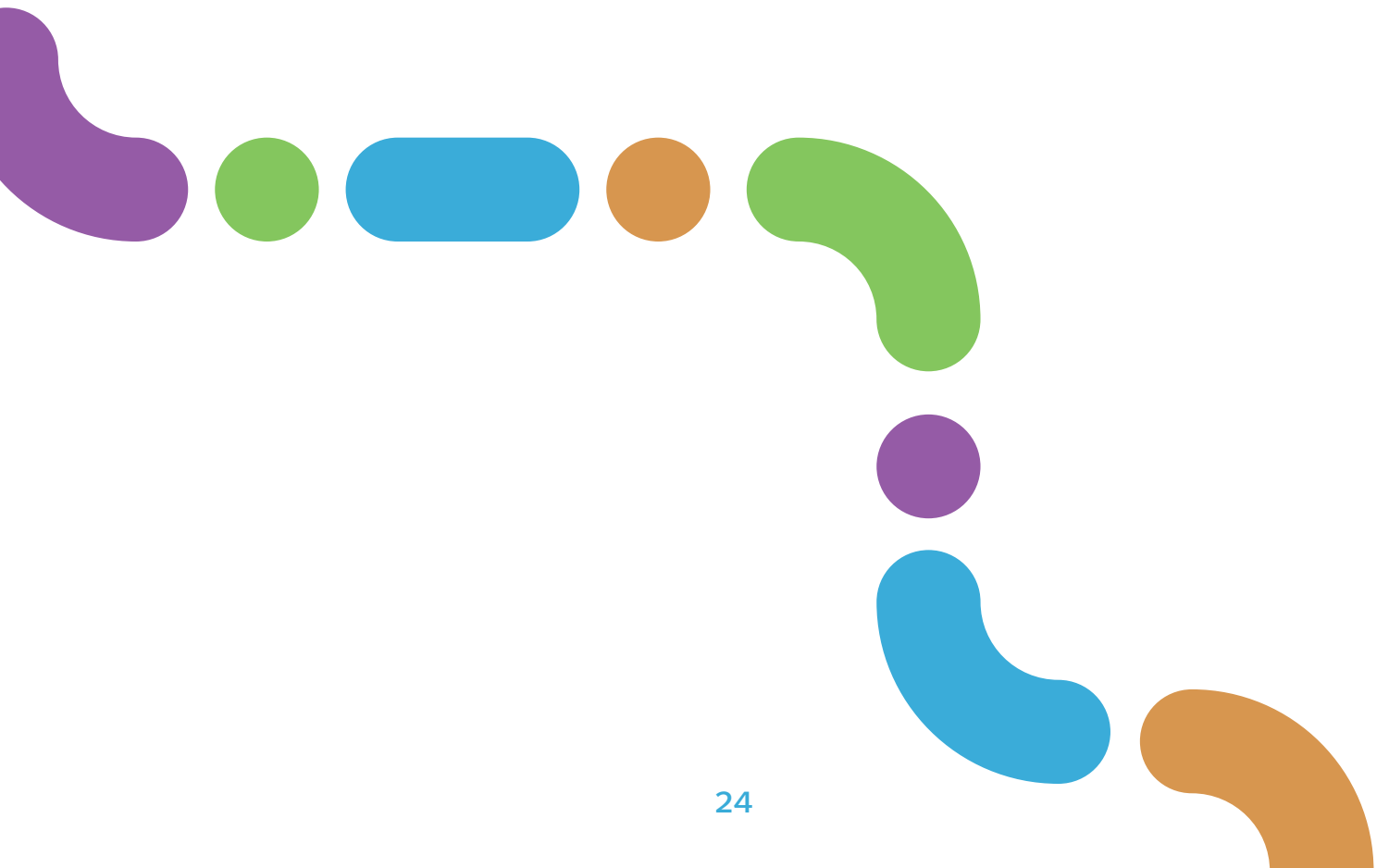
“nutritional transformation in society”.⁴¹ However, DMK has found that end consumers are much less likely to buy plant-based products than one might expect. While industrial customers, such as DMK, demand transparency and progress in terms of sustainability from their suppliers, end consumers exert no such pressure.

⁴¹ DMK Deutsches Milchkontor GmbH (2024): Unsere Verantwortung: Ein Update zur Nachhaltigkeit bei DMK, S. 32



06

Strategies and actions



Case study: DEUTSCHES MILCHKONTOR E.G – GERMANY

DMK was already working intensively on the topic of sustainability before legal obligations and guidelines came into force. Industrial customers were an important motivation here. For this purpose, it also reached out to external third parties, such as the SBTi, to develop its own reasonable goals and implement projects on a range of topics. Since 2013, DMK has taken a holistic approach to implementing greater sustainability in the production, manufacture and processing of milk, which affects all areas of the company.⁴² The “Corporate Strategy, Sustainability & Innovation” division, which is headed by the ESG Officer, is responsible for the implementation and further development of the sustainability strategy within the company. The ESG Officer also chairs the ESG Board, which is made up of employees from the specialist departments, such as HR, Legal, Purchasing, Agriculture, Occupational Safety/ Environmental Protection, Energy Management, Research and Development, Packaging Development, Production, and Quality Management. It “acts on relevant decisions relating to ESG topics”⁴³ and the members act as communication multipliers in their respective areas. Sustainability aspects are dealt with independently and autonomously in the specialist departments and taken into account in their work. In contrast, the business units are specifically involved in “market-relevant aspects”⁴⁴ and “integrate topics such as climate protection, animal welfare and packaging [independently] into their respective strategies.”⁴⁵

42 DMK Deutsches Milchkontor GmbH (2024): Unsere Verantwortung: Ein Update zur Nachhaltigkeit bei DMK, S. 5

43 Ibid.

44 Ibid.

45 Ibid.

Furthermore, the ESG Officer sits on various company committees that deal with new product ideas or investments, for example, and ensure that decisions are in line with the corporate strategy on sustainability. In addition, there is an integrated management system through which sustainability issues are managed and certified by external third parties. The management is informed at regular intervals about the status of the statutory sustainability targets and consults with cooperative committees on important topics.⁴⁶

It is clear that structures have been created at management level. There are various programmes and projects to bring the topic of sustainability to the farms. In addition, the DMK Group also has numerous production sites that must be included in the sustainable strategy to become successful. Officers are appointed for each site for this purpose. These officers are not only based at the site and are therefore directly involved in what is happening, but are also fully released from all other duties. There is one representative for safety, one for the environment and one for energy at each site. They are in contact with the head office and should therefore ensure that considerations and decisions made by the head office reach the plant and are implemented.

The cooperative structure of the company also plays a role in the discussion and successful implementation of the sustainability strategy and goals. After all, it is not just the head office and the locations that are in demand within the cooperative. Sustainability is a very high priority for the supervisory board; the shareholders in particular place a focus on it.

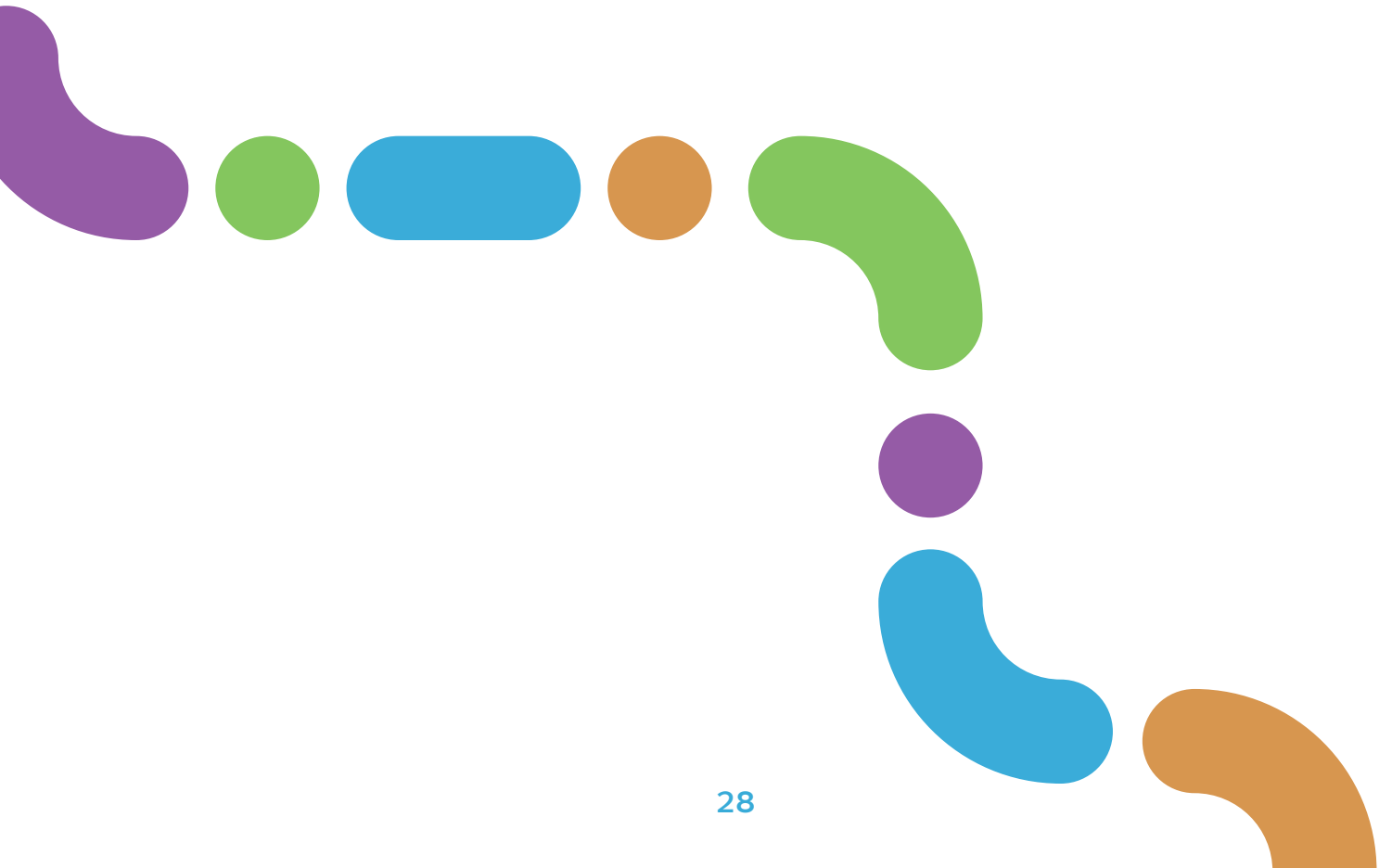
46 Ibid.

The advisory board and the direct assemblies also prioritise the topic. The mutual control between shareholders and the company, which results from the cooperative model, is described as a fundamental factor. While the company ensures that legal obligations are complied with, ultimately decides on the sustainability strategy, involves farms both on a voluntary basis and through prescribed standards and thus supports the operational business, the shareholders constantly bring new impetus to the process, question decisions and thus not only ensure that the sustainability strategy is implemented at the farms, but also that it can be implemented in the first place.



07

Good practices



Case study: DEUTSCHES MILCHKONTOR E.G – GERMANY

Over the years, the company has taken a proactive approach to the issue of sustainability. DMK developed its own corporate goals and an agenda, Vision 2030, which further strengthened the issues of sustainability in the corporate strategy. DMK published its first sustainability report as early as 2011.⁴⁷ Also, industrial customers who value transparency in sustainability matters see DMK as being well in the lead.

What role does the cooperative structure play in achieving the full potential of corporate sustainability?

The cooperative is unquestionably a lived model at DMK. Nevertheless, it is not seen as a core driver when it comes to sustainability. DMK emphasises that the people who work at DMK embody the values that play an essential role in the company. The cooperative creates the framework in which the corporate culture has grown and continues to grow. It is the people who fill these structures and thus bring the values to life. This applies not only to DMK employees, but also, of course, to the members, the farmers.

And this is where there is a significant difference between DMK and other companies that are not organised as cooperatives: the farmers are not just suppliers of raw materials, but an essential part of DMK. This not only creates a strong bond between the members and the operational part of the cooperative, but also a strong sense of responsibility. The responsibility towards the farmers becomes clear when it comes to finances, for example. Especially in difficult times, the whole organisation takes it for

granted that “all money must go to the farms”.

Even from a business perspective alone, it is important to address the issue of sustainability and to improve the business's own products and processes in such way that CO₂ is reduced and sustainability goals are achieved. These are essential prerequisites for remaining entrepreneurially successful and relevant. In this context, it is important to DMK to make agriculture, which produces a large amount of methane and carbon dioxide, part of the solution at an early stage. At this point, it becomes clear how important and successful the cooperative model is. The close ties and partnerships that have been cultivated for many years in the cooperative construct have created a wealth of shared experiences and a common basis. This basis serves as a foundation for the many sustainability projects that DMK has undertaken together with its members in recent years. The most significant example of this is the Net Zero Farms, in which selected members agree to try out new processes, resources and approaches on their farms in order to develop innovative standards for the entire industry; under close supervision of the company and in collaboration with external experts.

The other channels already mentioned, such as information events, idea competitions or the exchange in the company's own department for committee work, also show that it is worthwhile to include everyone and thus also to be supported. This makes it possible to take a holistic view of topics and receive feedback at an early stage from stakeholders who are looking at them from a different perspective.

⁴⁷ DMK Deutsches Milchkontor GmbH (2024): Unsere Verantwortung: Ein Update zur Nachhaltigkeit bei DMK, S. 8

The sustainability work of DMK also shows that exchanging ideas with external researchers, who are usually interested in projects and research cases, can be fruitful and helpful; for the company, for the entire industry and, in a broader sense, for the general pursuit of greater sustainability.

The cooperative structure and the values associated with it can also lead to challenges in individual areas. The process of tenders at DMK was described here as an example. Of course, it would be more profitable and safer for the moment to only purchase the quantities that are needed and to decide which farmers to pick based on aspects such as regionality. However, the value of fairness and reliability towards the members is more important. And ultimately, this decision makes the most strategic and entrepreneurial sense, since adhering to values and corporate culture is an essential pillar for economic success – and not only for cooperatives.



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Senior Manager Strategy & Climate

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