



# Corporate Social Responsibility *2020 Report*



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# Editorial



**Philippe Palazzi**  
Chairman and Chief  
Executive Officer  
of Lactalis Group

### What role should companies play in Corporate Social Responsibility (CSR)?

Today, environmental emergencies are no longer a matter of debate. They are part of our daily lives; whether it's global warming, packaging pollution, threats to water resources or to raw materials. The young people in our lives continue to remind us of this; they act as our eye-openers. We owe it to them. We should listen and take action.

These past two decades, developments in the world's economy have also revealed certain unacceptable social abuses, which were less visible or more distant, and which call upon our sense of ethics and human values.

Companies are in a position to take action both upstream and downstream. This is why they have a responsibility to embed CSR into their strategy. This is perhaps even more accurate for a family-owned group such as Lactalis, with our long-term vision. This perspective, which is shared by our shareholders and Board members, is what drives our ambition to achieve profitable and responsible growth.

Our activities must uphold the ten principles of the United Nations Global Compact. We are a proud participant of this initiative and I will personally ensure our compliance.

### What makes Lactalis' CSR approach unique?

First, our purpose. We offer healthy and tasty products that bring us closer together. We are navigating a pandemic that has

reminded every one of us of the importance of food and what dairy products provide us, both in terms of nutritional value and the conviviality of coming together around a meal. This purpose is rich in meaning for the Group's employees. In this unprecedented time, they found the strength needed to ensure that milk collection, processing and deliveries for our customers and consumers were maintained.

Second, our history. Our identity is founded on an ambition to gather and share expertise in and passion for diverse dairy products around the world. We strive to maintain a strong local focus; this focus nurtures the three pillars which comprise our CSR strategy, primarily driven by field initiatives. One single approach that is uniformly applied by our Headquarter would not fit our corporate culture.

At Lactalis, this means growing **People and communities** with a focus on quality of life at work for our 85,000 employees as well as developing talent and a culture of safety across our sites. We also have a responsibility to the socio-economic development of the communities in which we operate, and particularly to our partnering 530,000 farmers. This also means promoting **Authentic Products and Heritage**; preserving the diversity of local dairy cultures and tastes while developing innovations that meet our consumers' expectations for more natural products and simpler recipes. Lastly, we are accountable for increasing our focus on local production environments and particularly **Land and Resources**. We work with our ecosystems in an effort to reduce the impact of our activities whenever and wherever possible.

### How do you engage this ecosystem in order to have an impact?

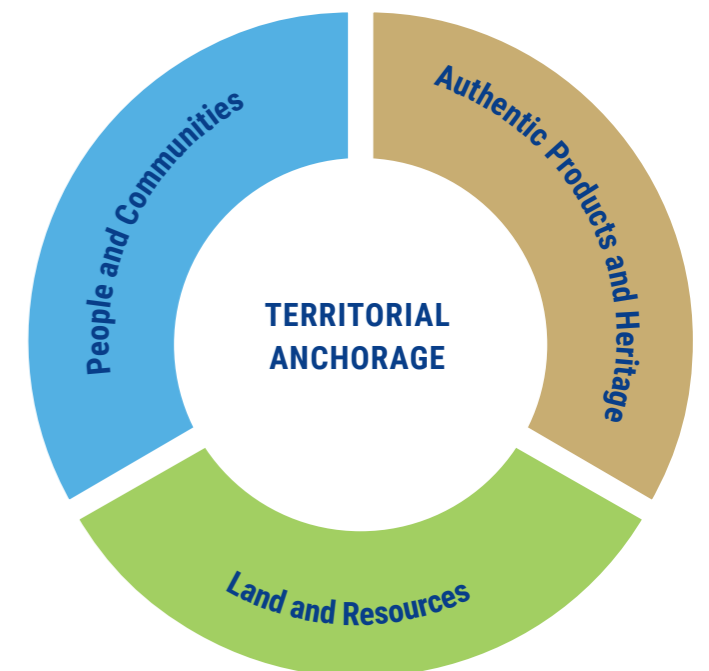
First, we tackle these challenges in-house. Our employees have long focused on CSR initiatives, each working at their own level. But it's only recently that we've really begun to call these projects "CSR projects." I also wanted to create a Quality and CSR Department with representation on the Group's Board of Directors and which directly reports

to me. It sends out a strong message of commitment to our customers and consumers who are key to our strategy. It also further encourages our experts to innovate and explore new solutions. We have also created specialized CSR working groups so that our subsidiaries from countries with the most CSR expertise can inspire those from countries where CSR is still in development. This diversity serves to accelerate the dissemination of best practices!

Whether through partnerships with start-ups, recognized world leading companies, NGOs, and universities, or as part of multi-company platforms, working as part of an "ecosystem" helps us to achieve our goals faster.

Many exciting long-term challenges lie ahead which will need everyone's full commitment to tackle!

## OUR CSR POLICY: THREE PILLARS



We strive to maintain a strong local focus; this focus nurtures the three pillars which comprise our CSR strategy, primarily driven by field initiatives.

# 2020

## Key figures

**No.1**

World's leading dairy group  
World leader in cheese  
World leader in milk fat (butter and cream)  
World leader in PDO and raw milk cheeses

**No.3**

World's chilled dairy group  
World's milk group

**12<sup>th</sup>**

Largest world food group

**21.1**  
BILLION  
IN REVENUE

**6%**  
GROWTH  
IN REVENUE

**21.7**  
BILLION LITERS  
OF MILK  
COLLECTED  
WORLDWIDE

**266**  
PRODUCTION SITES  
LOCATED IN  
51 COUNTRIES

**85,000**  
EMPLOYEES

**3** INTERNATIONAL  
BRANDS



### Revenue breakdown



**CHEESES**  
**35%**



**MILK**  
**25%**



**CHILLED DAIRY**  
**14%**



**BUTTERS AND CREAMS**  
**13%**



**INGREDIENTS  
AND NUTRITION**  
**7%**

**OTHER**  
**6%**

### Breakdown in revenue by geography

**56%**  
EUROPE

**12%**  
ASIA AND  
OCEANIA

**26%**  
AMERICAS

**6%**  
AFRICA AND  
THE MIDDLE EAST

Acquisition



**1,000**  
EMPLOYEES



REGGIO  
EMILIA,  
ITALY

ACTIVITY: DAIRY PRODUCTS,  
INCLUDING PDO ITALIAN  
CHEESES

**13** sites in Italy,  
1 in Poland and 1 in Hungary

# Products and traditions

Lactalis Group was created out of a passion for dairy and cheesemaking knowledge and traditional know-how passed down from generation to generation. More specifically, with 38 designations of origin worldwide—including 28 in France—the Group is the world leader in Protected Designation of Origin (PDO). Across all our locations, we are committed to maintaining the richness and variety of local tastes and regional specialties. Our goal is to preserve and pass on this knowledge while also making traditional products available to our customers so that they can continue to be a part of people's daily lives.

## MILKS



**Leben (Algeria):** Leben is widely used in North African countries. It is made from *rayeb*, which is spontaneously fermented raw cow's and goat's milk. Once churned and the butter removed, the resulting sugary liquid is eaten fresh with dishes such as couscous.

**Buttermilk (France/Brittany):** in years gone by, this traditional Armorican dairy product, *laezh-ribod*, was enjoyed in Brittany with buckwheat crêpes as part of the Friday Fast tradition. Today it is produced from fermented fresh milk that is 100% made in Brittany.



## CHILLED DAIRY

**Skyr (Iceland):** made for over 1,000 years, skyr is produced by incubating skim milk with live active cultures. It's the quintessential Icelandic product! Thick, dense and creamy, skyr has long been a staple of the national Icelandic diet. Its high protein content offers protection against the harshest climates.



**Quark (Northern Europe):** quark or kvarg, which is rich in protein and low in fat, is found in Germany and Scandinavia. Quark is made by warming milk until it forms curds. It is eaten with fruit or herbs, or used in cooking.



**Lassi (India):** a staple that owes its origins to the Punjab region, lassi is a traditional fermented milk drink. Plain, sweet, savory, and spiced types are consumed during or between mealtimes. It has the benefit of calming the "fire" of the spicy foods it's often served alongside.

## CHEESES



**Chechil (Caucasus):** originating in the Caucasus but enjoyed even so far away as Russia, chechil is a traditional plain or smoked braided cheese. It is most often eaten as an appetizer by pulling apart its strands.



**Kajmak (Balkans):** made in the Balkan Mountains in Serbia and Bosnia, kajmak, meaning "cream," has a very unctuous texture. It's a must-have staple with breakfast and an ingredient used in several traditional regional dishes.



**Paneer (India, Pakistan):** a source of protein, paneer is a staple food for the Indian subcontinent. First mentioned in the 12<sup>th</sup> century, Paneer cheese has a mild milky taste and is

eaten alone or in traditional hot dishes, where it's often used a substitute for meat.

**Pecorino Toscano (Italy):** a firm-textured ewe's milk cheese, which has now acquired PDO status. Pecorino Toscano was already a firm favorite among the Etruscans. Pecorino Toscano is aged between four months and a year. It is served either with charcuterie or over pasta.

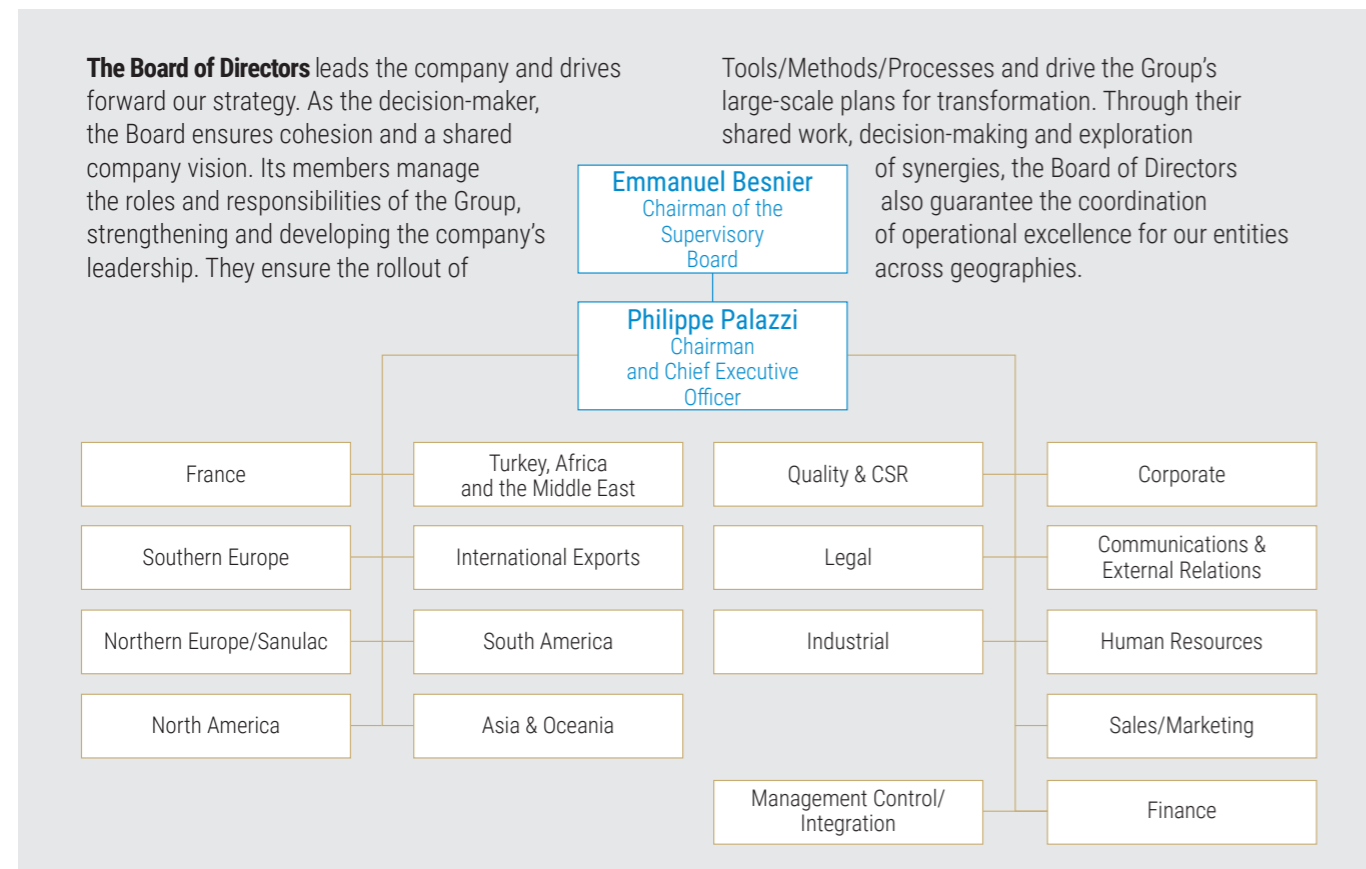


**Labneh (Middle East):** Labneh, whose name derives from "laban" meaning "milk" in Arabic, is a fresh cheese that hails from the Middle East. Labneh is regularly eaten at breakfast, accompanied by condiments such as olive oil and mint or as a mezze dish.

# Governance

## Overall governance

Lactalis' main guiding principles are performance, prioritizing local focus, and collective commitment. With the 2020 arrival of Philippe Palazzi in our top management, our strategic leadership was strengthened to keep pace with the developments in our market environment: increased demand for quality products and stakeholder expectations in terms of societal and environmental responsibility.



## CSR governance

The steering of the CSR policy is part of Lactalis Group's operational management, including the actors of all expertise and geographies. A Steering Committee, made up of all internal stakeholders, participated in the development of Lactalis' CSR strategy and positioning. Specialized and international working groups, supported by Board members, suggest areas of commitment and tools for their technical reporting. Within the company's Board of Directors, the Quality & CSR Manager is the spokesperson for such issues.



# Business ethics

As a major global dairy group, Lactalis strictly complies with local and international regulations. The Group has also rolled out compliance programs focused on particularly important ethical issues. The rollout of these programs is managed by the Compliance Division within the Group's Legal Affairs Department. This department supervises program implementation and application at the local level.

## Anti-corruption strategy

The Group maintains close working relations with an ever-increasing number of partners and stakeholders. The scope of such interactions and our business may expose our employees to corruption risks in their day-to-day activities. The anti-corruption code of conduct (Anti-corruption Lact@Policy), which is available in 18 languages, provides a simple and pragmatic framework to raise awareness on these challenges and puts forward a set of best practices to minimize risks as much as possible. Moreover, Lactalis has produced two guides for all its employees, which specifically focus on gift management and conflicts of interest.

## Anti-competitive practices

The Group policy on anti-competitive practices has been in effect since 2014. It has been rolled out across all countries and is available in eight languages. It introduces disciplinary sanctions for breaches of legal obligations. The Group has also formally established a set of guiding principles for specific scenarios. The latter include participation in meetings with interbranch associations, tender management and organizing training sessions on these subjects.

## Data protection

A Data Protection Officer (DPO) ensures Lactalis' compliance with the General Data Protection Regulation (GDPR) since it entered into force. The DPO reports to the Group's Compliance department and is tasked with setting the overall strategy and its rollout. The Group has identified three priority areas: the implementation of a cybersecurity policy to limit data breach risks, the deployment of a compliance program focused on risks regarding the management of consumer, producer and employee data, and the preparation of a pilot project in France.

## Procurement and suppliers

Lactalis has applied an updated Code of Conduct to all Procurement teams since 2019, it addresses the challenge of conflicts of interest in particular. By end-2021, all procurement staff will be trained to comply with competition and anti-corruption rules.

As regards referencing, since 2015, we have requested that our suppliers of ingredients, dairy raw materials, packagings and chemical products, as well as all other subcontractors, sign a CSR charter included in our Supplier Quality charter. In 2019, we reviewed these charters in order to integrate our commitments with respect to the United Nations Global Compact. The charters specifically outline the Group's expectations as regards respect for human rights, international labor rules, business ethics and environmental stewardship. Audits on referencing, assessment and control are conducted in collaboration with the Quality Department.





Part 1

*Gathering  
and uniting*  
around a common  
approach

# A *global* approach adapted to local contexts

The Group naturally focused on its stakeholders in an effort to structure its CSR commitments with the adoption of a collaborative process, developed from the ground up. Lactalis decided to consult an array of stakeholders, from employees and managers to partners, NGOs and institutional entities. In doing so, the Group sought to imagine a pragmatic policy that could meet real-life challenges in step with the Group's local contexts.



**Axel Bigot**  
Group CSR Director

*Therefore, we made a point of adopting a field approach through the identification of a common basis on which we could build shared standards and reporting methods.*

## Lactalis has already worked on multiple CSR initiatives for several years. Why have you decided that now is the time to formalize your approach?

Several factors were at stake to make us take such a meaningful decision. First off, we recognized that our customers and stakeholders expressed the need for larger-scale and more regular communications with regard to CSR topics. The food and beverage sector is undergoing deep-seated change; perhaps even more so than other industries. By incorporating the entire value chain (from farmers to consumers) in a comprehensive CSR model, each of our stakeholders is forced to consider their

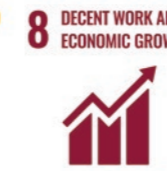
roles and responsibilities more extensively than their initial, smaller scope. This is why we wanted to introduce a strategic approach; to better meet the needs of all our stakeholders.

Secondly, we have already launched many good Group-wide initiatives. However, we were missing a corporate CSR platform that would properly showcase them. Indeed, there is now plenty of content for us to communicate and make known. Lastly, the other factor was our maturity and the expectations of our employees regarding these issues. At Lactalis, we note and experience a deep internal trust when it comes to strategy and the decisions made by top management. That said, we need to

keep up with developments in our society and the increased importance of societal and environmental responsibility. Such concerns are more prevalent among our employees and particularly among our younger and newer staff members.

## Practically speaking, where does Lactalis stand on these issues and what specificities of the Group must be considered to successfully introduce this kind of approach?

Lactalis was built on a culture of manufacturing. We've always prided ourselves on treating raw materials with care, using resources sparingly,



# Addressing *sustainable development* issues



In addition to addressing our own challenges, we decided to align our CSR policy with the United Nations Global Compact and its 17 Sustainable Development Goals (SDGs). The dairy sector, which Lactalis is a part of, is especially concerned in 10 of the 17 SDGs:

- by contributing to the livelihoods of more than 150 million farmers worldwide, including in the most disadvantaged regions, the dairy sector is driving the initiative for no **poverty**. The sector also creates jobs throughout the value chain, playing its part in the effort to ensure **decent work** and to reduce **inequalities**;
- since milk is an essential and affordable source of protein, nutrients and energy, it is one of the drivers for **achieving zero hunger** and stopping malnutrition as well as for promoting **good health and well-being**;
- lastly, the dairy sector actively operates across all

geographies—from specialized agriculture to animal feeding—and plays a role in reducing greenhouse gases emissions. All told, the dairy sector is an important champion of **responsible consumption and production** and an advocate of **climate action, protecting ecosystems and biodiversity** and the **sustainable management and sanitation resources**. The sector owes its status to the wide-scale rollout of science-based best practices with a proven track record.

striving for top performance and accepting nothing less than premium quality for our finished products. But Lactalis is not a uniform and homogeneous group.

Quite the opposite, in fact. Lactalis is the sum of many unique individual parts. It is respect for local diversity coupled with dairy know-how and culture. This means that maturity levels on CSR vary depending on our locations. On top of this, we are growing our business in countries with considerably different regulatory requirements. Due to this, our company culture never entertained the idea of a "one-size-fits-all" strategy. Therefore, we made a point of adopting a field approach through the identification

of a common basis on which we could build shared standards and reporting methods.

## What strengths do you leverage to guarantee success?

Above all, governance. The arrival of Philippe Palazzi has refocused our strategy on meeting the expectations of our customers and consumers. This standpoint is vital to our CSR policy because we must operate at the convergence point of our day-to-day business and societal expectations. Only then will our approach prove to be not only credible but operationally effective. Such pivotal issues also form the

cornerstone of our decisions across our various managerial levels of hierarchy. We are all personally exposed to social concerns in our daily lives, whether manifested through our families or our acts of consumption. The Group's manufacturing culture is also a strong point because it allows us to make corporate decisions with a natural confidence. Lastly, our ability to adapt to local market environments is possibly the strongest signal of our success: a uniform top-down strategy would contradict our way of working. Our HQ creates the motivation and a shared language, but it is our subsidiaries who put our approach into action. At Lactalis, leadership is about local responses within a global framework. The same will apply to CSR.



# An approach co-developed with our *stakeholders*

We decided to be realistic and open when discussing these issues. Through our CSR policy, we aim to focus our vision beyond our own processes and daily activities. Our goal is to change the way we develop the quality and value of our products by taking a holistic approach to production factors. Our goal was also to involve all our stakeholders in a concerted effort as we laid out the challenges ahead. This work led us to an approach under development that takes into account the expectations of all those associated with our activities and leaves ample space to apply the principle of subsidiarity and adaptability to local contexts.

## Methodology

### Phase 1: quantitative analysis (June-September 2020)

We let 175 internal and external (see text box) stakeholders give their opinion on the relevance of 33 strategic CSR issues with regard to Lactalis Group's activities. The issues, which are divided into four categories (governance, products, society and environment) were identified by cross-checking the reporting standards of the *Global Reporting Initiative* in addition to challenges specific to the Food & Beverage sector and the main requests that Lactalis Group receives from its stakeholders on specific issues. Respondents were asked to rank each issue on a scale of 0 to 6 based on its importance to Lactalis and whether they felt the Group should take a stance, make commitments, or act on it.

### Phase 2: defining and categorizing the main challenges

The first phase of the review resulted in the categorization of challenges with respect to their relevance for the Group. This initial work was presented to the CSR Steering Committee. It was discussed with a view to deciding on whether it aligned with the Group's operational priorities, DNA and maturity levels in terms of issues and geographies. Once again, the contributions of business experts and country representatives are a critical component in the development of this policy.

### Phase 3: qualitative analysis (November-December 2020)

We conducted twenty-five interviews with members of *top management* representing the main central services, countries and *business units*. Their contributions helped us consolidate the list of issues and become familiar with them. In parallel, our categorization factored in our daily activities, market constraints and the specificities of trends in our sector.

### Phase 4: establishing a definitive ranking and structuring our approach

To give substance and clarity to our approach, and to respond to a recurring request expressed during the various interviews, we decided to group the 33 issues into three strategic pillars.



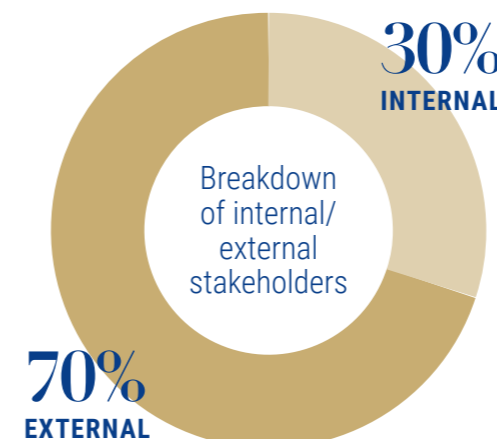
*Employee consultation fosters commitment, involvement and transparency. One of their main expectations is the recognition of their environmental and social concerns in our strategy. This makes our business more meaningful. Not only is it a unifying factor in-house, but it also adds appeal to Lactalis as an employer.*

Joaquim Martins, HRD Lactalis Europe



*Consultation with Lactalis' various stakeholders is an essential step in jointly developing a strong shared vision of CSR. I am very pleased to participate in this consultation. It will help Lactalis to formalize and operationalize its commitment.*

Fabien Girard, Head of Earthworm Foundation France



## Our stakeholders



# Understanding our stakeholders' needs and expectations to sustain our shared success

The quality of our cross-stakeholder interaction is key to the success of Lactalis. As part of the creation of our materiality matrix, we led constructive and transparent consultation with the stakeholders in our ecosystem. This ensured we aligned our CSR policy with their needs and expectations.

Our 2020 materiality matrix has identified economic, social and environmental challenges. Lactalis and its internal and external stakeholders view these as top priorities. The matrix underscores high expectations that are complementary both in terms of our products' safety and quality and our social and environmental responsibility. These needs contribute to the Group's long-term value creation.

For Lactalis, the first priority is its core business. The Company must ensure it develops and produces safe premium products in addition to maintaining equitable relations with its key partners. In addition, the Group must effectively manage employee health and safety in the workplace on a daily basis. Our stakeholders also consider the following issues to be priorities:

environmental challenges, animal welfare, the preservation of water resources, climate change management and adaptation, and waste reduction, particularly through the development of a circular economy. Lactalis ensures that these issues are managed and monitored at all times, across all its subsidiaries and all its manufacturing sites.

Lactalis Group has integrated issues that impact the development of People and Communities into its strategy because, ultimately, the Group's long-term growth depends on the men and women who work for Lactalis today and who will join the Group tomorrow. As the world leader in dairy products and a growing player in clinical and infant nutrition, we have a responsibility to our teams. As a company, it is our duty to provide our men

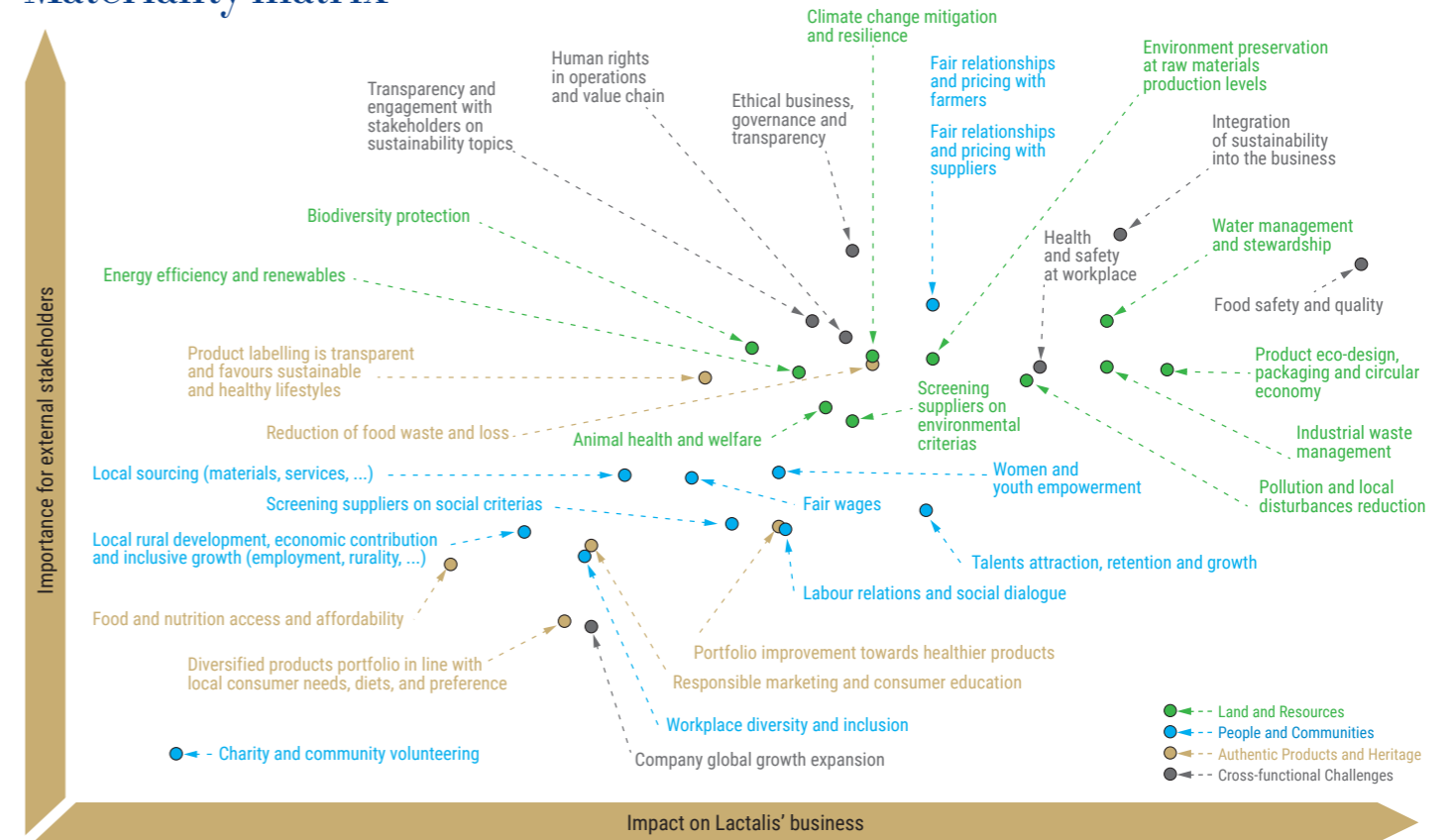


and women with opportunities to grow and fulfill their potential both as professionals and human beings. Lactalis upholds the highest global standards in human rights and its business practices, both in France and abroad. The Group is committed to respecting human rights everywhere it does business.

Supported by our converging analysis, our CSR policy is structured into the following three pillars:



## Materiality matrix



## Categorizing our CSR challenges

	OUR PILLARS		
	People and Communities	Authentic Products and Heritage	Land and Resources
OUR CHALLENGES	<ul style="list-style-type: none"> <li>Integration of sustainability into the business</li> <li>Product labelling is transparent and favours sustainable and healthy lifestyles</li> <li>Human rights in operations and value chain</li> <li>Ethical business, governance and transparency</li> </ul>	<ul style="list-style-type: none"> <li>Food safety and quality</li> <li>Health and safety at workplace</li> <li>Transparency and engagement with stakeholders on sustainability topics</li> </ul>	<ul style="list-style-type: none"> <li>Food and nutrition access and affordability</li> <li>Diversified products portfolio in line with local consumer needs, diets, and preference</li> <li>Portfolio improvement towards healthier products</li> <li>Company global growth expansion</li> <li>Responsible marketing and consumer education</li> <li>Reduction of food loss and waste</li> </ul>
	<ul style="list-style-type: none"> <li>Local rural development, economic contribution and inclusive growth</li> <li>Workplace diversity and inclusion</li> <li>Women and youth empowerment</li> <li>Labor relations and social dialogue</li> <li>Talent attraction, retention and growth</li> <li>Fair wages</li> <li>Fair relationships and pricing with farmers</li> <li>Fair relationships and pricing with suppliers</li> <li>Screening suppliers on social criteria</li> <li>Local sourcing</li> <li>Charity and community volunteering</li> </ul>	<ul style="list-style-type: none"> <li>Climate change mitigation and resilience</li> <li>Energy efficiency and renewables</li> <li>Water management and stewardship</li> <li>Industrial waste management</li> <li>Product eco-design, packaging and circular economy</li> <li>Environment preservation at raw materials production levels</li> <li>Biodiversity protection</li> <li>Animal health and welfare</li> <li>Pollution and local disturbances reduction</li> <li>Screening suppliers on environmental criteria</li> </ul>	



Part 2

*Gathering*  
and *uniting*  
around shared commitments

The Lactalis Italy team,  
celebrating World CleanUp Day,  
September 2020.



# People and Communities

While the scope of our Group is global, the focus of our commitment is very much local. Our territorial anchorage is due to our core business: milk is not suited to travel long distances. This is why we are rooted in the heart of major dairy and rural areas. We trust the men and women who continue to pass on their expertise in dairy. This is also why we entrust our business to locally recruited talent. As a Group, we recognize our socio-economic impact on the regions we work in and we are committed to boosting employment in rural areas, particularly among young people, and offering attractive career opportunities and prospects in an inclusive environment and a buoyant industry. True to the Group's history and culture, our growth is solely geared towards driving sustainable development for our employees and the communities that we work in.

The development of People and Communities are the centerpiece of our CSR policy because they are what makes Lactalis unique. Our **#LACTALIS EXPERIENCE** is a testament to the Group's unwavering commitment to its 85,000 employees: to grow in our teams with recognized expertise and a passion for what they do and to develop leading brands through a practical and bold approach. The Lactalis Experience also provides a platform that lets our employees enjoy their jobs, take on positions of responsibility, and take pride in what they do daily. More generally, our 266 production sites and our commitment to working closely with our 530,000 partnering farmers and our suppliers contribute to bring dynamism to rural areas the world over.

**1 NO POVERTY**



**2 ZERO HUNGER**



**4 QUALITY EDUCATION**



**5 GENDER EQUALITY**



**8 DECENT WORK AND ECONOMIC GROWTH**



**10 REDUCED INEQUALITIES**



## Local rural development, economic contribution and inclusive growth

Lactalis is a key player in regional development, with a global reach.

Our Group champions localized leadership and managerial autonomy. In this spirit, we strive to account for consumers' specific needs along with employee and local stakeholder concerns in our decision-making.

We design expatriation programs (only 182) as short-term assignments aimed at disseminating the Group's expertise and values. At the same time, Lactalis is developing programs that successfully recruit, train and retain local talent.

As the third largest milk collector in the world, we support local communities by sustaining the dairy sector and developing the organic, PDO and non-GMO segments.

**86.6% of our executive team members are from their respective local national community\***

## Workplace diversity and inclusion

Diversity and inclusion are at the core of our DNA as a company. Lactalis has notably developed through external growth acquisitions. As such, the Group has always placed special emphasis on the respect and promotion of all cultures and all backgrounds. Lactalis Group has established a simple yet inclusive rule of "visible diversity" which guarantees fair treatment of all Lactalis employees, regardless of age, gender, ethnicity or disability. The Group ensures that this promise of inclusion is carried out by local managers.

\*Basis of calculation: ten countries representing 60% of the Group's employees.

## Women and youth empowerment

We are committed to providing the same opportunities and career paths to women and men. We are fully aware that we have a part to play in increasing the proportion of women in our sector. Several women employees already hold positions as plant managers. However, we are introducing indicators to provide reporting on the number of women employees who are selected for managerial roles over time.

We are also developing partnerships with training institutions as well as providing specific support to younger employees through our training and mentoring programs. In this regard, since 2002, as part of our I<sup>2</sup>FA program partnered with the École Supérieure d'Agricultures (ESA) (Angers, western France), 189 students from 34 different countries have participated in a two-year work-study program. Many of them have then gone on to hold leading positions in our local teams.

**More than 12,300 opportunities (permanent and fixed contracts, apprenticeships and internships) for young people aged under 30\***

## Labor relations and social dialogue

The Group advocates a simple, local approach to social dialogue. We encourage all our local HR teams to forge and maintain constructive day-to-day relations with employee and trade union representatives.

In 2020, we trained 21 experts in our labor relations policy, "Lactalis Labour and Employees Relations Way," with the goal of passing on this training to their local teams in their respective countries.

The same year, we set up a European Social Dialogue body. It includes representatives from 14 of the Group's countries, located within the European Union.

### Talents attraction, retention and growth

Our "Lactalis Trust in its People" roadmap, started in 2019, focuses on the Group's commitments to recruitment, internal mobility and training. True to our local understanding of development, we have built a network of internal trainers (2,120 trainers in 2020\*) in an endeavor to disseminate expertise and knowledge and to upskill all our employees. We are developing specific technical training programs and expanding their reach to new countries. Programs include our "Industrial Academy," "Cheese Academy," and our "Maintenance Academy." Lactalis is focused on its appeal as an employer. In this sense, the Group seeks to increase the visibility of the benefits of the "Lactalis Experience," launched worldwide in 2021, from the recruitment stage.

### Health and safety at the workplace

As an industrial player, the Group is developing a robust Health and Safety prevention program for the workplace. Lactalis is determined to achieve the only acceptable goal: zero accidents in the workplace and zero work-related illness. Since 2012, Lactalis has implemented a global policy and set of standards, which has also been rolled out locally. The Group is targeting risk management and the development of a health and safety culture. A global network of Health and Safety officers supports our managers in the effective rollout of the program, specifically through on-site audits.

**In 2020, TF1 (Frequency rate of accidents with lost time) was 9.1 and the TF2 (Frequency rate of accidents with and without lost time) was 17.3, representing a respective decline compared to the indicators of 20% and 19% in 2019. 2020 ASR (Accident severity rate) also declined by 15% at 0.35 as of 31 December 2020.**

### Fair relationships and pricing with farmers

As regards milk collection, the Group prioritizes direct relations with its 530,000 partnering producers, located in 48 countries.

Our teams of technicians focus on the long-term, which is conducive to structuring the local dairy sector. Teams work continuously with farmers in an effort to develop high-quality milk, economic efficiency and the environmental performance of operations through consulting and training. A good example is our LACTA-LEITE initiative in Brazil, launched in 2017. The project successfully registered 45,000 on-farm technical visits, sparking an average increase in revenue of approximately €1,575 per year.



**Erkan Gungor**  
HR Director, Lactalis Turkey

### What makes Lactalis unique as an employer?

*Erkan Gungor: The "Lactalis Experience" is unique in the sense that it provides employees with a platform to grow as part of a team that is passionate about what they do. Around the globe, the Group creates the conditions for each and every employee to grow their expertise and to grow in responsibilities, as Lactalis is a champion of internal promotion.*

*Laure de Tychey: At Lactalis, the local level is essential. In this way, we ensure that our top ten countries in term of headcounts participate in building our Group's approach to the social topics of CSR. Our strategy is based on on-the-ground experience.*



Signing of the new Chair between Lactalis and Fondation Agrocampus Ouest, February 2021.

### Training seems central to Lactalis' HR policy. How does it work in practice?

*L. T.: Yes, it is absolutely central to our HR policy. It's a key growth driver for the Group. We partner up with local higher education institutions to implement programs. In addition, we internalize our training. As an example, in 2021, we established an official Lactalis Apprenticeship Training School (CEA) with a focus on the dairy industry. In France, we also worked with Agrocampus Ouest to create the "Recherche de performances pour une usine responsable" (Driving performance for a responsible plant) Chair which is aimed at developing data science and manufacturing performance research and training which can be applied to the dairy sector. In 2020, the health crisis also confirmed the ambitions of our "Lactalis Digital Learning Academy." 6,000 learners from around the world have enrolled in various digital training programs. Our goal: 20,000 learners enrolled by 2023!*

*E. G.: At Lactalis, we pledge to train and upskill our applicants and employees. This is why we decided to create a network of internal trainers. Equally, we have a role to play in the development and the employment of people under 30, via our internship, apprenticeship and young talent recruitment policy. The introduction of an indicator for the opportunities offered to people under or aged 30 shows how important this is to the Group.*

**Laure de Tychey**  
Human Resources Project Manager



### LACTALIS MILK COLLECTION CENTERS: DEVELOPING RURAL AREAS

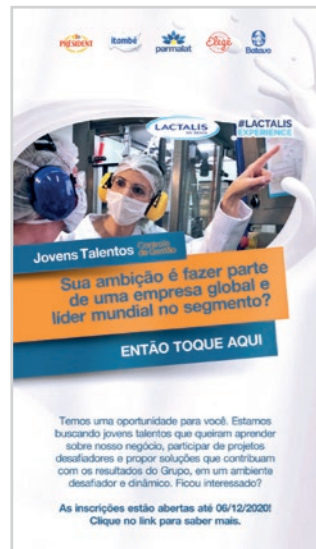
We have supported and structured the dairy sector by introducing transition sites for producers and processing centers. Our 650 Milk Collection Centers are located in the often secluded rural areas of eight countries. They collect nearly 1.6 billion liters of milk. Small dairy farmers can deliver their daily production, which our logistics teams manage and transport to the cooling and processing centers. Through our regional network, farmers successfully sustain their business, increasing their revenue and making a decent living.



*Milk Collection Centers ensure the best possible quality of milk and growth in local production. They also provide a guaranteed market for new dairy farmers. They increase farms' profitability, boost employment and allow the local economy to thrive.*

**Marcelo Candioto, President of CCPR Leite, milk supplier to Lactalis Brazil.**





**BRAZIL SHOWCASES ITS YOUNG TALENT**

In Brazil, the Young Talent Programs campaign showcases a young professionals training program. Our interns, apprentices and young talent are included in professional development programs in an international setting. The training courses are a blend of academic learning, experience in the field and simulation exercises played out in particularly demanding environments.



*Barely ten years have passed since my first interview with Lactalis when I graduated from the Faculty of Agriculture at Alexandria University (Egypt) and my appointment to the position as Manager of the Verdun plant (France). Lactalis provided me with the platform to realize my ambition of becoming a Plant Manager at the age of 30. My journey began as a work-study program student at the École Supérieure d'Agricultures (ESA) (Angers, western France). I was then recruited as Project Manager by Lactalis for its Dukat division (Croatia). This position was then followed by a quick succession of roles: Manufacturing Manager at the Ultra-High Temperature (UHT) dairy plant in Petit-Fayt (France); Assistant Manager of the same plant after four years; and finally Manager of the Bozzolo and Parma (Italy) plants.*

Mahmoud Kamal, Verdun Plant Manager (France)

**PACT FOR YOUTH 2025: LACTALIS SHOWS COMMITMENT IN UKRAINE**

Our Ukrainian subsidiary delivers more than 100 training sessions per year and fosters the development of mentoring programs with the goal of disseminating know-how. In 2020, Lactalis Ukraine signed a strong country-wide commitment to promoting the talent, skills and opportunities of young professionals. The initiative was named Pact for Youth 2025.



**COMMUNITY-BASED VOLUNTEERING**

Lactalis' subsidiaries are firmly committed to the community-based initiatives. These include: The Foodbank and the "CEO Sleep Out for the homeless" initiative in Australia; the "Health Autumn" project in Sweden; The Grocery Foundation and "Paid Volunteer Day" in Canada; investment in rural area health infrastructure in India; the "Nourish New York" program launched by our American subsidiary in 2020; actions undertaken by Fondation d'entreprise Lactel to promote nutrition education and support for disadvantaged families in France and last but not least, the "FoodForward South Africa" project. In 2020, the Group organized up to nearly 327 community and volunteering events and programs, with turnout from over 6,800 employees\*.

\*Basis of calculation: ten countries representing 60% of the Group's employees.



# Covid-19: the exemplary mobilization of our teams

The very same year, as the pandemic continued, all of the Group's employees demonstrated their commitment to local communities in each of our countries. In this context, our teams showed their agility to continue production while ensuring maximum safety for employees in the workplace. Lactalis has adapted to reduce the impact of the crisis on its entire value chain: maintaining milk collection from farmers and continuing deliveries to our customers. This has helped to guarantee consumer access to essential food products. Furthermore, our teams pulled together to provide support to local stakeholders.

**LACTALIS CANADA COMMITS TO #FEEDTHENATION**

Our milk brand, Lactantia, kept its promise to #FeedTheNation as the first to show its support for the Quebec provincial movement – Ça Va Bien Aller / "It's Going to Be Okay." The brand donated 2% of its sales (CAN\$100,000) from its Lactantia PurFiltre 2% milk to the Food Banks of Quebec. The campaign generated a high level of participation from employees at our Montreal site.



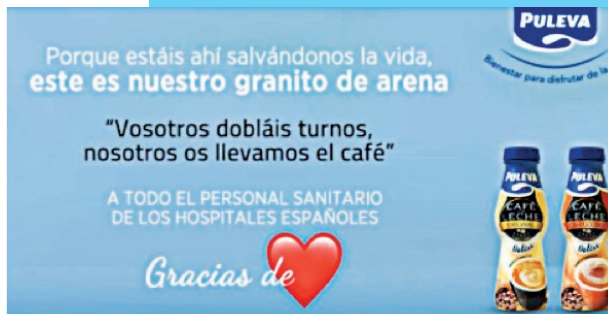
**LACTALIS SPAIN: SUPPORTING HEALTHCARE WORKERS**

Our Spanish subsidiaries provided Puleva Café con Leche bottles and more than 35,000 yogurts in a show of support and gratitude to hospital staff who worked non-stop during the health crisis.



**LACTALIS HEROES: OUR LARGE-SCALE COMMUNICATIONS CAMPAIGN FOR SOUTH AMERICAN EMPLOYEES**

Lactalis Brazil kick-started an extensive communications campaign – "Lactalis heroes" – which went live in all South American countries. The campaign was aimed at showcasing the heroic efforts of each and every Group employee in the fight against Covid-19. Lactalis' internal radio station and the televisions in the Group's various sites were used to broadcast motivational and thank you messages in addition to personal stories and videos that focused on shielding measures.



**SOLIDARITY ACROSS THE VALUE CHAIN**

In Croatia, from March to June 2020, our subsidiary – Dukat – set up a logistical organization to collect milk from small farmers made vulnerable by the lockdown. The Group had encouraged continued dairy production in the country by maintaining output for this sensitive raw material.



# Authentic Products and Heritage

While high-quality nutrition is a must in our business, we are united in the conviction that a long-term balanced diet requires time for sharing and pleasure in eating. It's not all about the dish though. Mealtime habits are just as important as nutritional value. Supported by the science, we are convinced that dairy products are pivotal to a varied and balanced diet at regular mealtimes. Every day, our goal is to provide, simple, healthy and tasty products that bring people together. Our efforts are clearly focused on the quality and safety of our products. We are also committed to maintaining product variety through the protection of know-how, particularly PDO. We work day-in and day-out on developing our product portfolio, which combines local traditions with innovation in an effort to meet ever-increasing needs. We make every effort to inform and educate our consumers by providing information that is clear, comprehensive and reliable, and we implement responsible marketing practices.

Our products: our greatest ambassadors. Mostly based on simple recipes, they are the result of ambitious policies to develop healthy and sustainable food. From this standpoint, we make every effort to nurture our customers' and consumers' preferences and trust.

**2** ZERO HUNGER



**3** GOOD HEALTH AND WELL-BEING



**12** RESPONSIBLE CONSUMPTION AND PRODUCTION



## Food safety and quality

Our primary concern is the quality and safety of the food we produce. The secret to Lactalis' success lies in its ability to keep pace with the times and continuously improve product quality. The latter already meet local and international requirements, particularly in terms of traceability. Continuous improvement is the motivational force behind all our divisions, services, sites and locations.

**83% of Group activities on manufacturing facilities are certified\***

## Food and nutrition access and affordability

Dairy products are essential in stopping malnutrition and achieving zero-hunger status. As a foodstuff, milk is more than just a one-of-a-kind raw material. In fact it is a source of high nutritional value in addition to B2 and B12, phosphorus, potassium and calcium. The plethora of natural resources in milk and dairy products makes them a vital component in the system of health organizations' nutrition recommendations. At Lactalis, our dairy products have simple recipes, are low processed and easy-to-use thanks to their suitable packaging.

**More than 80% of 2020 Group volume was made up of daily consumption products (milk, yogurts, cheeses, butters and creams, etc.)**

\*FSCC22000, ISO22000, IFS, BRC, SQF and ISO9001 certification. Excluding logistics sites.

## Diversified products portfolio in line with local consumer needs, diets, and preference

We pay close attention to our consumers' new expectations as well as changes in their consumption patterns. We respect and preserve dairy and cheese traditions from all over the world while offering the widest possible range of products. Our strong commitment to the development of organic is in step with growing demand for more natural and eco-friendly products that do not cause a loss of biodiversity. This segment advances improvement along the production chain, from farms through to processing. To date, the Group is the third largest player in this segment as regards revenue. We also develop new products based on non-GMO animal-fed milk, or farming standards ensuring a fixed grazing period. On top of this, we develop alternative non-cow milk from goats and ewes as well as milk that is lactose-free reduced-sodium, reduced-fat and reduced-sugar.

**460 million liters of organic milk collected and processed worldwide, in 14 countries**

**More than 1.5 billion liters of segmented milks collected in France**

## Portfolio improvement towards healthier products

Our innovation capabilities focus on combining health and technical standards along with consumer preferences. We continually strive to improve our products, mainly by limiting the amount of added sugar and salt and by simplifying our recipes. As an example, we reduce the number of additives. We categorize ingredients internally, taking into account

public categorization and our customers' requirements. This helps us to conduct a thorough review of our recipes.

### Product labelling

Discussions centered on nutritional scoring systems have highlighted the support required for consumers to make informed choices based on their needs and priorities. We produce labelling that is comprehensive, clear and easy to read. In doing so, we actively provide information and raise awareness for our consumers. Our approach is founded upon openness and transparency. To this end, we are committed to multiple initiatives which are tailored to our locations. In France, we have focused on digitalization with a view to sharing information and product data. We also communicate this data to the *Observatoire de la qualité de l'alimentation* (OQALI or French Food Quality Monitoring Service).

### Responsible marketing

We hold ourselves accountable to communication focused on our products and consumption methods adopted by different segments of the general public. In line with discussions led by Santé publique France (French National Public Health Agency) and recent debate regarding minors' exposure to advertising, the Group has pledged to no longer produce advertising targeting children aged under 12 in France. Lactalis acknowledges that breast milk provides the best nutrition for infants, and that breast milk substitute products should only be used, as an alternative, when breastfeeding is not possible.



## Laurent Coutant

Nutritional Marketing Director

### What is the role of dairy products in ensuring a sustainable diet?

*Dairy products are essential. They come from animals that produce all their lives and are recognized for wide-scale environmental contributions (biodiversity, landscape maintenance, etc.). From the consumer standpoint, the natural resources used need to be compared with all the services provided; particularly the nutritional value guaranteed by dairy products. The latter are highly competitive in terms of performance, which makes them difficult to replace in a sustainable diet. Dairy products have additional advantages. They are product-ingredients that contribute towards "healthy eating," home cooking and the use of simpler and individualized dishes. Dairy products also support food education from a very*

*young age. They teach us good practices through the pleasure of healthy foods and learning to taste. Dairy products provide a tremendous opportunity for showcasing a sustainable diet, which benefits not only the health of men and women but also that of our planet.*

### How have you structured your nutritional strategy?

*Our strategy is structured into five cornerstone principles: ensuring the nutritional improvement of our products, especially on salt and sugar; simplifying our recipes; championing responsible marketing; providing consumer access to complete and accurate nutritional information; and raising awareness of the key role played by dairy products in ensuring a balanced diet.*

### Reduction of food loss and waste

Our products and process are part of a drive to promote sustainable nutrition. The first success driver is to achieve fair consumption and fight against food loss and waste. Similarly, our efforts to develop packaging that supports responsible consumption ensure that we collectively reduce our impact on the planet's resources.



### PDO: LACTALIS, THE LAST PRODUCER OF BLEU DES CAUSSES

*This blue cheese was granted PDO status in 1979. In 2011, we became the last official producer with our team of 20 employees based at our Rodez plant. Aged in our natural caves in Peyrelade (southern France), this PDO helps to maintain a local segment bringing together 76 dairy farmers.*

Hugues Meaudre, General Manager Lactalis AOP & Terroirs



### PRESERVING CHEESE AND DAIRY HERITAGE

More specifically, with its 38 designations of origin worldwide (France, Italy, Spain, Greece)—including 28 in France—the Group is the world leader in Protected Designation of Origin (PDO). Through its commitment to French and European PDOs, Lactalis supports, promotes and creates outlets in their country of origin and internationally for products as iconic as Camembert de Normandie, Livarot, Roquefort, Gorgonzola, Parmigiano Reggiano, Feta and Queso Manchego. The Group is also proud to cultivate, perpetuate and contribute to the dissemination of dairy traditions and the diversity of local flavors. Traditions include: Lassi and Paneer from the Prabhat brand in India; Ghee, Kefir and Labneh from Karoun Dairies, the Californian subsidiary dedicated to manufacturing ethnic products; Kajmak and Ayran in Turkey and Queijo Reino in Brazil.





**OUR AMBITION IN ORGANIC DAIRY**

In direct response to health and environmental concerns as well as consumer expectations of quality and taste, we have worked tirelessly to develop the organic segment. Our active efforts date back to the mid-nineties. As the current organic leader in several countries, our ambition is to become world number one in this segment. Despite the pioneering progress of organic milk, fueled by the success of Lactel, the Group has since won other market categories by developing organic butters, creams, chilled dairy products and cheeses. This performance has ensured Lactalis' appeal to consumers with an expanded regional foothold for iconic brands such as Président, Galbani and Laitière with a combined focus on its

local brands. The latter include Stonyfield and Rachel's in the US and UK respectively. Organic is a remarkable lever for transformation and innovation in our sector. Throughout our value chain, from our partnering farmers to consumer, organic repurposes our vision of product and service quality. Our new *Bio et Engagé* ("Organic and Committed") strategy extends its focus beyond regulations. It goes a step further by reviewing animal welfare criteria, supporting farmer conversion and offering financial support to plant hedgerows and protect biodiversity. Stemming from the same approach, our producers planted twelve thousand trees in winter 2019-2020.



**A FIRST-OF-ITS-KIND ON THE MILK MARKET!**

Lactalis Canada has developed its Lactantia Milk n'Oats product, combining 100% Canadian milk with a touch of oat. The lactose- and oil-free product is made without added sugar and with just six ingredients.

**YOGURT WITH NO ADDED SUGAR**

To address any nutritional needs, we adapt our categories of dairy products. Our Croatian subsidiary, Dukat, launched the first-ever fruit yogurt with no added sugar on the local market.



**SIGGI'S: USING SIMPLE INGREDIENTS WITH LESS SUGAR**

The brand, which was founded in 2005, has gained iconic status, owing to its range of healthy and authentic products. This skyr, which is protein-enriched and low-fat, is inspired by Icelandic tradition. It is made from simple and natural ingredients and not a lot of sugar. It is also free of coloring and preservative agents and free of artificial aromas. Lactalis has developed the range in over 15 countries worldwide. In the United States, Siggis is boosting its ecosystem by offering nutrition professionals access to an educational portal. This tool includes free webinars focused on the nutritional benefits of milk protein. For the second year in a row, the brand is offering nutritionists three grants of up to \$20,000 dollars. The initiative is aimed at rolling out their nutrition program within their local communities.



**LACTOSE-FREE MILK: THE BENEFITS**

The lactose-free dairy product segment continues to gain ground worldwide. In Croatia, where it faces a more than promising future, Dukat launched its first lactose-free and easy-to-digest chocolate milk in February 2020: Dukat Lagano jutro. The brand, which is already a market leader, has expanded its range with four additional product launches.



*Our innovation strategy supports the development of consumption patterns while limiting our environmental impact. We develop innovations locally to meet our consumers' expectations and nutritional needs as closely as possible. Lactalis grows a diverse ecosystem that advocates shared know-how and technologies. Within this framework, the Group partners with technical institutes, engineering schools, universities and suppliers.*

Christophe Latron, Lactalis Group R&D Vice President



**RESEARCH AND DEVELOPMENT (R&D)**

**29** PILOT WORKSHOPS  
IN 27 COUNTRIES



# Land and Resources

Lactalis believes that the protection of the planet and its resources are primary concerns. The latter are factored in across the Group's value chain, from milk production through to post-production packaging.

For Lactalis' products, a responsible process always starts with working the land and respecting the soil. As a Group, our activities are integral to preserving soil quality, developing carbon sinks such as grasslands, maintaining landscapes and biodiversity, and improving animal welfare.

By optimizing our industrial and logistical operations, we significantly contribute to protecting water, controlling pollution and reducing our carbon footprint. Further, by developing renewable energies, we engineer a solution to climate change. In addition, the Group lowers its environmental impact through the rollout of an eco-design strategy focused on products and packaging.

The circular economy is central to our strategy, from pre- to post-production as we strive to deliver as a responsible player. We also take pride in exploring innovative technical solutions with our partners.

Our CSR policy is primarily focused on reducing the environmental impact of our activities and their carbon footprint. Lactalis' policy takes into account the entire lifecycle of its products. We consistently apply four strategic rules, regardless of the issue at stake. These rules consist of: regulatory compliance; risk management; performance assessment and operations auditing. Our approach favors local initiatives while ensuring the proper dissemination and application of policies defined at Group level.

## 6 CLEAN WATER AND SANITATION



## 7 AFFORDABLE AND CLEAN ENERGY



## 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE



## 12 RESPONSIBLE CONSUMPTION AND PRODUCTION



## 13 CLIMATE ACTION



## 15 LIFE ON LAND



### Climate change mitigation and resilience

The carbon impact of our production chain is reviewed, from our producers' farms to the last kilometers traveled to reach our consumers. Accordingly, we give high priority to identifying all possible action plans so as to mobilize players in our ecosystem.

We have led a number of initiatives. Among them: the rollout of farms' carbon footprint assessment tools; cow feeding projects to lower methane emissions; optimized truck filling procedures; and transition to renewable energy for vehicle fleets.

### Energy efficiency and renewables

To limit the impact of our industrial activities on the environment and the climate, the Group runs an energy management policy based on three principles: energy sobriety, efficiency and the transition to low-carbon energy sources. We are increasingly integrating renewable energies (solar and biomass) into our energy mix and encouraging our sites to implement conversion projects based on expected performance and Group objectives.

**-10% in energy consumption (electric and thermal) per kilogram of finished product in 2020\***

### Water management

As a priority, water is paramount. This phenomenon is spurred on by the increase in food production needed to feed the planet in the decades ahead, coupled with the effects of climate change.

Considering our use of water across our value chain, from pre-production to water the animals through to post-production in wastewater plants, we have a responsibility to respect and practice

moderation. Against this backdrop, Lactalis has introduced tools to measure its water footprint along with actions to reduce its per volume consumption for each processed product. Moreover, we are building equipment and facilities to leverage our circular economy model and the performance of our wastewater systems.

**Our optimization drive has delivered -13% in tapped water consumption and -13% wastewater discharges per kilogram of product in 2020\***

### Pollution and local disturbances reduction

Our activities are subject to strict protocol as regards health, safety and the environment. Our manufacturing processes have incorporated a management of the risks that our operations may apply to the environment. As a Group, we have involved our manufacturing facilities in external certification. We are also overseeing the phased introduction of waste valorization programs in the form of wastewater plant sludge composting and methanization. By developing tailored training programs, we foster shared best practices. In parallel, we harness our teams' expertise to adapt such priorities to local specificities and standout regional environmental and societal challenges.

\*Calculated versus 2019. France, Spain, Brazil, Canada.

**Product eco-design, packaging and circular economy**

When asked about concrete actions to tackle climate change in their day-to-day lives, consumers single out the need to reduce packaging. For Lactalis, this issue is critical and at the forefront of challenges affecting the environment and product quality preservation. To overcome such challenges, the Group has a threefold solution: offer the right consumer packaging; champion the circular economy regardless of the country of sale; educate our consumers to properly practice sorting.

**Environment preservation at raw materials production levels**

The Lactalis Group never loses sight of biodiversity protection. This not only applies to its direct production activities but also throughout its upstream value chain. In an endeavor to ensure the vital role of forests in carbon sequestration and biodiversity protection, Lactalis is firmly focused on the fight against deforestation. To this end, the Group has turned its attention to issues within its paper and cardboard procurement, not forgetting mapping potential risks or exposure related to its direct and indirect palm oil and soy use.

Soy is often a key component in the dietary intake of animals. With this in mind, the Group produced a comprehensive methodology to calculate the footprint of animal feed crops in forests, over 11 countries which account for 76% of Lactalis' milk supply. We are developing awareness initiatives for our partnering farmers, notably on the interest of protein autonomy for animal feeding. Lactalis has also joined forces with local agri-food chain stakeholder initiatives to promote more traceable animal feed supply practices with less impact on biodiversity and forest ecosystems.

**39% of our palm oil-sourced ingredients were certified RSPO (Roundtable on Sustainable Palm Oil) in 2020. The label sets out to certify sustainable social and environmental plantation management\***

*\*Excluding Egypt*

**100% of our bricks in Europe are made of certified FSC paper (Forest Stewardship Council) paper**

**Animal health and welfare**

While our partnering farmers must prioritize their compliance with national and international animal welfare standards, Lactalis reaffirms its commitment to best practices and is developing a Group policy based on the Five Freedoms for animals as defined by the World Organisation for Animal Health (OIE). The Freedoms are outlined as follows: freedom from hunger, thirst and malnutrition, freedom from, heat stress or

physical discomfort, freedom from heat stress or physical discomfort, freedom from pain, injury and disease, and freedom to express normal patterns of behavior. On an executive level, the Group is the driving force with involvement in local bodies. In 2021, Lactalis will also become an associate partner of the Welfare Quality Network, which leverages science to contribute to the development of related international standards.

**75% of collected milk is covered by a charter that assesses animal welfare\***

*\*Basis of calculation: 11 countries representing 76% of volumes of milk collected by the Group*



**CIRCULAR ECONOMY: FROM WASTEWATER TO BIOGAS**

During preparation of the wastewater treatment plant, several of the Group's sites including Winchester (Canada), Brattleboro (United States), Cortelona (Italy) and Harvey and Sydney (Australia), pre-treat effluents. This consists of separating an initial "batch" of material from wastewater. Once the highly fermentable (not yet consumed by wastewater treatment plant bacteria) primary sludge is produced, it may join a circular economy through feeding methanization processes to produce biogas.



**Emmanuel Gros**  
Energy & Environment Director

**How did you organize the strategy in your line of work?**

*Emmanuel Gros: We had already established a good number of technical standards, audit documents and operational procedures. This allowed us to capitalize on internal knowledge and expertise. Our Group's industrial culture is heavily influenced by these kinds of challenges. The influence stems from compliance with regulatory frameworks and good practices adopted across the teams in terms of saving resources and managing risks. Nonetheless, the rollout of an overall*

*policy is complex due to contrasting contexts and regulations on-the-ground in each of our locations. We have mapped our environmental risks. Based on this, we devised long-term plans for prioritizing our investment. We considered policies founded on simple practices with three key actions: safeguarding, reducing and transforming environmental risks. This approach relies on the three-fold process of: sobriety, efficiency and energy transition. We follow a globalized corporate framework, with a localized rollout.*

**METHANIZATION AS AN ENERGY SOURCE**

The Group has established a steam purchase partnership with Agrimaine Méthanisation, which groups together 100 dairy farms, i.e. 150 farmers mainly using livestock effluents. Methanizer digestion of these effluents produces the equivalent of the annual energy consumption of 6,000 households. At the end of the digestion process, the "digestate" (solid phase, process by-product) is reused as organic fertilizer for the farmers' crops. Lactalis has set a target of purchasing 10,000 tons of steam on an annual basis. At the Charchigné plant (west France), the purchase of steam produced through biomass will supplement the wood-fueled boiler system. This performance will result in near "zero carbon" emissions for the plant's cheese production.





## Laëtitia Bieri

R&D Manager, Packaging & Environment

## Pascal Claye

Deputy Industrial General Manager

## Anne-Gaëlle Lannic

Global Marketing Director – Milk & Juices

## Renaud Guilbert

Global Sourcing Category Director – Packaging Materials

### What exactly do you mean when you say “positive” vision for packaging?

*R.G.: It's holistic. Considering the product's entire life cycle to assess its main function and impact.*

*P. C.: Lactalis products are not inert or inanimate.*

*They're very much alive and fragile! Packaging is key to providing the consumer with a premium, healthy product that has maintained all its nutritional benefits.*

*L. B.: It's also about holding ourselves accountable for producing “the right packaging.” The right solution will not only address the consumer's exact packaging needs, but will also avoid food waste.*

### How do you involve your ecosystem in recycling?

*A.-G. L.: Aside from all our efforts to make our packaging more recyclable, three of our partners are involved in our strategy. First, consumers. They expect us to provide them with technical packaging solutions that facilitate their sorting practices and the right sorting instructions.*

*R.G.: Second, local recycling sectors. Structuring them is a must!*

*Recyclability is a distinctly local notion since the same material may be recyclable in one country and not in the neighboring country.*

*L. B.: Our ambition is to develop in-house expertise in these sectors with promotion through local ecosystems where it is not present. We are involved in consortiums, partnerships with suppliers and public or semi-public actors, and sometimes even competitors. At Lactalis, we remain convinced that we will only shift momentum to large-scale and systematic recycling models if the efforts made are collective.*

*Lastly, our employees. As our third and final partner, they are the ambassadors of our policy. In keeping with this trend, our local divisions have forged partnerships with local non-profit organizations. This has led to the launch of waste collection and public awareness campaigns, much like the World CleanUp Day.*

### WORLD CLEANUP DAY

In 2020, **220** EMPLOYEES from four Lactalis subsidiaries in four countries participated in the World CleanUp Day.

### A WORLD FIRST IN ADVANCED RECYCLING

LACTEL has partnered up with INEOS to develop the first successful trial of 72,000 UHT milk bottles using mass balance recycled polyethylene (R-PE). This last is an alternative to fossil-based plastic and a world first for the category. This material is the result of an advanced recycling process that converts waste plastics from High-density polyethylene (HDPE) into new high quality polymers suitable for food contact.



### ECODESIGN: FOCUS ON PACKAGING

Developed by the R&D Packaging and Environment team in 2019, the Packaging Environmental Profile (PEP) is a decision-making support tool based on an analysis of the environmental performance of packaging. PEP considers criteria including weight, recyclable portion, portion recycled per country, integration of renewable and recycled materials to calculate an overall score that ranks packaging based on its environmental footprint. The tool, which was tested in France in 2020, is also deployed in Italy, Spain, Australia and the United Kingdom. It is also gradually being rolled out by other Group country R&D Packaging teams.

### COMBATING “IMPORTED DEFORESTATION”

In Sweden, Lactalis has joined the Soy Dialogue initiative, committing to a soy traceability process: 100% of the soy used by the subsidiary's producers is now certified sustainable (RTRS or ProTerra). It is not sourced from biodiversity reserves that are facing deforestation risks, such as the Amazon rainforest, the Cerrado or the Brazilian Atlantic Forest.



### WHERE MILK QUALITY MEETS ANIMAL WELFARE

Parmalat Italy becomes one of 12 partners to join the MOLOKO European project. The project, which kick-started in 2018, focuses on developing a biosensor that can quickly detect the presence of accidental contaminants (e.g. antibiotics) in tanks. Some indicators not only enable farmers to monitor collected milk quality; they also provide information on animal health and welfare condition.



*We are pleased to welcome the Lactalis Group as an associate partner of the Welfare Quality Network. Our Network focuses on scientific exchange and activities designed to contribute to the further development of the Welfare Quality® animal welfare assessment systems. We strongly believe that science and on-ground observations are key when developing new farming standards linked to animal welfare. In view of the wide diversity of countries where Lactalis collects raw milk, the Welfare Quality® Protocol is a consistent tool for benchmarking and streamlining local animal welfare assessment systems.*

Harry Blokhuis, Welfare Quality Network Coordinator



## José-Daniel Castellanos,

International CSR Project Leader, Milk Sourcing

### How do you deploy governance in relation to animal welfare?

*José-Daniel Castellanos: We operate in ecosystems. Lactalis and its partners are committed to implementing and developing local charters on animal welfare as well as driving forward alignment whenever possible.*

*It is in this spirit that we have partnered up with the Welfare Quality Network scientific network, which puts forward a global standard that is both impactful and inspiring. The Five Freedoms of the World Organization for Animal Health (OIE) form the framework of our overall policy. Furthermore, the International Milk Supply CSR Committee is led by the Quality and CSR Director. It is tasked with developing common indicators for*

*measuring animal welfare, assessing our local performance and recommending related action plans. Animal welfare challenges are addressed with company top management since the Milk Supply Department reports to a member of the Board of Directors.*

### Why is this a cornerstone issue for Lactalis?

*J.-D. C.: It is an ethics issue. In this regard, we cannot make any compromises. It is consistent with the concerns of civil society, our stakeholders and our consumers. We respect farm animals and consider them sentient beings. As such, we have a strong commitment to advancing practices across our locations. We have a goal to ensure animals' health as well as their physical and emotional well-being.*

# Reducing *our carbon footprint* right from the farm gate

From on-farm milk production to logistics, we identify the sources of greenhouse gas (GHG) emissions coupled with the resources required to reduce our carbon footprint throughout our value chain.

## Milk production

Milk production is a major source of greenhouse gas (GHG) emissions. It can also accelerate carbon sequestration as a result of soil amelioration and preservation. In this regard, we encourage our partnering farmers through support, training and innovation to develop an approach of farm management which has a greater positive impact on in climate and environmental challenges.

### Reducing emissions through animal feeding

Enteric methane, which is produced from ruminant digestion, is one of the biggest on-farm greenhouse gas emitters. The Eco-Sens monitoring tool, created by Valorex, has developed an innovative solution. The latter reviews the fatty acid profile of a milk sample. In this context, we assess the volume of methane produced during animal digestion, causing a loss in energy intake.

Our reporting ensures more balanced nutrition, which is supplemented by flax seeds. It also helps to reduce cows' GHG emissions by approximately 12%. To date,

over 220 Lactalis farmers use the tool in France, Sweden and the Czech Republic.

### Our farming footprint

Lactalis joined forces with Cool Farm Alliance (CFA), an ecosystem of organizations (companies, NGOs, universities) developing a common tool—the "Cool Farm Tool"—which measures farms' carbon footprint. The Group plans to deploy this tool as a standard for carbon diagnostics in 11 pilot countries, which account for 76% of raw milk purchases. We also joined the CFA's Dairy & Beef working group in an effort to further develop the tool.



**60 to 80%**

**OF ENERGY SAVED** thanks to next-generation milk tanks from the SERAP consortium, joined by Lactalis.

**2,000**

**TONS OF CO<sub>2</sub> saved per year at the solar facility**



## Industrial process

Environmental performance is fully recognized in our plants' targets.

Our efforts cover the entire production chain, with a focus on reducing carbon footprint as a result of energy transition projects.

### Verdun transitions to solar

By 2022, the French city of Verdun's whey plant will host the largest solar facility in the country, and the largest in Europe providing heat to an entire manufacturing facility. Our facility was built by Bordeaux start-up, NEWHEAT. This last will contribute to decarbonizing the heat produced by our plant. To this end, the Group deploys 15,000 square meters of solar thermal sensors and innovative storage solutions providing the necessary power for the site's new drying tower.

## Transport & Logistics

We actively use transportation throughout our value chain, from the collection of raw milk to the delivery of our products to customers. There are multiple ways to reduce carbon footprint. For instance, we continually optimize our truck loading and the distance traveled. We also use alternative fuels whenever possible.

### Truck sharing

In Spain, Lactalis partnered with a collaborative initiative led by CHEP, a provider of innovative logistical solutions. Through the rollout of logistics platforms that are shared with manufacturers and distributors, we are in a position to reduce the number of miles traveled by empty trucks.

### Every mile matters

Ak Gida, a Lactalis subsidiary, worked with Tirsan, the road transportation market leader in Turkey, to develop the High Capacity Trailer project. The initiative required two years of R&D to commission

six large capacity tanks. The latter successfully transport 29,000 liters of milk (instead of the standard 24,500). This performance represents a 450,000 kilometer (280,000 mile) reduction in the annual distance traveled by its fleet.

### Alternative fuels

In Italy, Galbani has developed liquefied natural gas (LNG) systems for its shuttles. This technology is more eco-friendly than traditional fossil fuels. In Sweden, Lactalis has committed to deploying a fossil-fuel-free fleet by 2025 with a focus on Hydrotreated Vegetable Oil (HVO) biodiesel. This 100% renewable alternative reduces carbon emissions by more than 90%.

**+66%**

**LOADING CAPACITY** for Spanish trucks thanks to Mega Trucks, representing 434 tons of CO<sub>2</sub> saved in 2020





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