

2021 CSR REPORT





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EDITORIAL

Jean-Luc BORDEAU,
Chief Executive of Lactalis Ingredients

What are the specificities of Lactalis Ingredients’ activity?

Within the Group, our job is to transform milk into various types of powder ingredients. Milk is collected every day but in varying quantities depending on the season. As it is a perishable product, it must be treated rapidly, whatever the demand. Powder, on the other hand, is a shelf-stable product that can be kept for a long time. We are therefore the only division of the Group whose entry point is production rather than orders. This distinguishing feature of volume management means we are the Group’s essential adjustment variable for managing its excess volumes once the mass-market products (milk, cheese, butter, cream, yoghurt) have been delivered to supermarkets. Let’s not forget that we also process milk by-products: whey from the cheese dairies, buttermilk from the butter factories. Nothing is discarded, everything is used.

These characteristics make us the only division within the Group to have solely industrial clients, most of whom are in the food and nutrition sectors, and, in the future, potentially in the pharmaceutical industry.

Our aim is therefore to optimise the availability of our raw materials, milk and by-products, as part of an engaging quality process.

We are aware of the energy-consuming aspect of concentrating and drying milk; producing steam requires a large amount of thermal energy. Our industrial activity generates waste (greenhouse gases, wastewater, organic matter, etc.). Limiting these effects is therefore part of our DNA. As the Division that consumes the most energy at the processing stage - we process 2.5 billion litres of milk each year – we view our environmental responsibility as a priority. Consequently, we are now transposing it into quantifiable, measurable targets.

Milk production also brings your social responsibility into question. Can you explain how?

This aspect is indeed fundamental both for milk producers, who are concerned about the sustainability of their farms, and for our customers, who are conscious of the impact of the initial phase of their products. Sourcing, which spans all divisions, is handled at a central level within the Group.

Given the large number of producers - 13,000 in France - it challenges our ability to move forward together according to common environmental standards. We therefore pay constant attention to our customers and consider their requirements in terms of milk quality and, increasingly, animal welfare and the environment.

It has become one of our primary objectives. Step by step, we are making progress. Within the Division this is by consolidating the relationship of trust with our customers, and within the Group, by supporting farmers. In this way, we are achieving planned results, which are realistic for producers and accepted by customers.

In February 2021, such dialogue led to the introduction of the Group’s roadmap integrating all the scopes of the GHG protocol. Continuous quality improvement is a long and demanding process that can only be carried out in close consultation with the farmers.

What measures have you put in place for your third key stakeholder: the employees?

In 2020, we were the first division in the Group to publish our CSR report. Of our 1,500 employees, 1,300 work in our 18 factories, so we are particularly focused on safety and well-being at work. Without the men and women who work here, the company would not be what it is. Consequently, we have launched our managerial survey which measures the level of employee satisfaction each year in terms of health and safety, and also in terms of quality of life at work and skills development. The survey has become a major source of information, which motivates us and keeps us accountable.

It was with the idea of developing employee skills that we created the Lactalis Ingredients Academy, with a network of in-house instructors who share their expertise. Such measures contribute to what is particularly important to me: the satisfaction of coming to work every morning.

This is the meaning behind the annual QWL (Quality Work Life) Trophies: to identify and acknowledge good practices and initiatives, to share them, and to proudly improve them year after year.

What are the main measurable achievements since the first report was published in 2020?

The first positive effect of this report is that it provided plenty of scope for discussion and exchange between the teams. As such, it acts as a real incentive. Secondly, based on the Group’s indicators and in the interests of continually improving our results, it allows us to monitor our progress in relation to what we have identified as our three key areas of responsibility: preservation of the environment, product quality, and employee well-being. Moving forward, each report will assess these three aspects to determine new objectives and the corresponding action plans. Our clients appreciate this approach, which contributes to the long-lasting relationship of trust that we strive to foster. Since 2019, we have therefore achieved the objectives that we had set for 2025 by reducing our water consumption (-5%) and our scope 1 greenhouse gas emissions (-10%).

Our corporate responsibility is the result of close collaboration with our stakeholders, farmers, clients, and employees.

With regard to future progress, we are aware that there is still room for improvement in terms of safety, and we have set the target of halving the frequency of workplace accidents by 2024. Meeting this goal requires a strong commitment from the Executive Committee, which is involved in defining and monitoring the strategic components of the safety policy.

In conclusion, I would like to reiterate the unique nature of our business. Processing milk into powder means extracting 90% of the water it contains. Offering a wide range of dairy ingredients means cracking the milk. For this, we are very dependent on developments in technology. Consequently, in order to meet the challenge of food for the future, we are investing in more sustainable technologies, with a view to reducing our environmental impact for each industrial project.

LACTALIS INGREDIENTS' PURPOSE

“ As leading experts in harnessing the full value of milk through a wide range of ingredients, we strive to ensure healthy nutrition for all. This vision is driven by the challenge of building a strong, caring and lasting relationship with our clients. ”



WORLD PRODUCER OF DAIRY INGREDIENTS

Activity

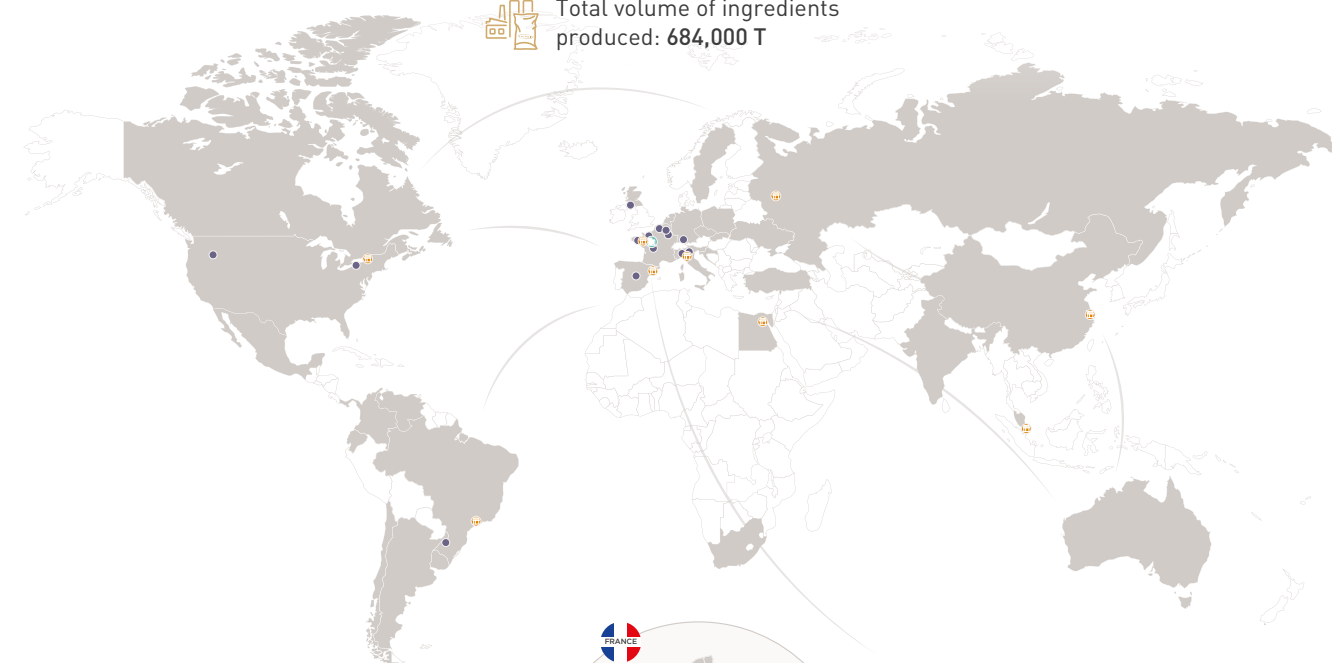
Revenue: € 1.4 billion
1,500 employees

Volumes

Whey: 5.5 billion litres treated per year
Milk : 2.5 billion litres treated per year
Total volume of ingredients produced: 684,000 T

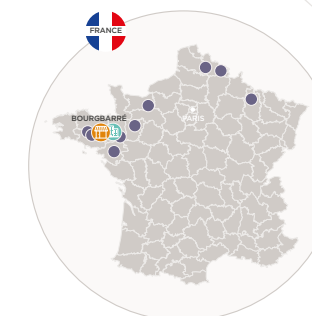
Worldwide presence

18 production sites across the world
Operating in more than 100 countries



Lactalis Ingredients world presence

- Lactalis Ingredients Headquarters
- Lactalis Ingredients Sales Office
- Ingredients production sites



Being in the heart of our markets is essential for us

Based in the west of France, Lactalis Ingredients is present on all continents thanks to a growing network of local sales offices and production sites.



“A realistic, pragmatic CSR policy inspires confidence, unites people, and also attracts new talent.”

AGNÈS BAUDET-BARBEZANT

GENERAL MANAGER FOR QUALITY AND GROUP CSR

Consumer and client satisfaction is a major concern for the Group. To meet their changing expectations with regard to our products and production methods, the decision was made to make CSR part of the Quality Department. The Quality and CSR Department is managed by Agnès Baudet-Barbezant. She is in charge of developing these two themes on an international level and reports directly to the Chairman. This is a powerful indication that our profitability is now inseparable from our responsibility.

How is Lactalis playing its part in the collective climate challenge?

When the Group was founded in 1933, the Earth had a population of 2.5 billion inhabitants. According to United Nations estimates, when Lactalis celebrates its 100th anniversary, there will be almost 8.5 billion. Yet, the planet's ability to provide energy and food, or its capacity to absorb effluents and waste is limited. The IPCC reports also underline the urgency of climate change and its impact on people and the biosphere. Our current production methods contribute to these negative impacts; we therefore have both a responsibility and a role to play.

We must accelerate the transition of our models, and the Group's global dimension provides an opportunity to do so!

We must accelerate the transition of our models, and the Group's global dimension provides an opportunity to do so! The knock-on effect means that we can explore and rapidly replicate solutions locally (energy or water savings, for example) that have been proven successful elsewhere. In 2020 and 2021 we consulted our stakeholders, determined our priorities, measured our impacts, and made commitments. Our first key issues: climate, circularity for our packaging, and animal welfare.

Despite the current economic volatility, how does Lactalis Group satisfy its stakeholders that it is maintaining its CSR momentum?

We have an ethical responsibility. It would be an unacceptable paradox not to care about the environment in which people will live, while offering them the food they need to grow and project themselves into the future. In the shorter term, we cannot consider the company's economic performance today without considering our societal and environmental performance. Furthermore, CSR is also a lever for operational excellence (energy optimisation, waste reduction), employee motivation and reputation.

How do you get your employees involved in the Lactalis CSR adventure?

A realistic, pragmatic CSR policy inspires confidence, unites people, and also attracts new talent. We need such creativity to challenge and guide our roadmap. We also need to nurture the internal CSR culture. More than 300 in-house experts around the world, from various professions, have worked together to build the Group's CSR policy. They collected and analysed nearly 600,000 pieces of data to build our collective ambitions. We are proud of this human adventure!

SECOND CSR REPORT

LACTALIS INGREDIENTS IS INCREASINGLY COMMITTED

With this second CSR report, Lactalis Ingredients is pursuing the commitment to responsibility that was formalised in 2019. In the wake of the Covid crisis, this means we can respond to the growing demand from our clients to guarantee a sustainable activity that contributes to the transition of agricultural and breeding practices. We are convinced that only realistic, pragmatic support for this transition can guarantee the farmers' dignity, consumer health, sustainable employment, and therefore sustainability for the whole sector.

This responsibility is part of the CSR policy defined by the Group. **For the planet**, we strive to respect animal welfare, reduce our carbon footprint, and preserve water resources. **For consumers**, we are committed to offering safe ingredients that contribute to a healthy diet for all. **For the men and women** working in the Division, we have a policy of maintaining their health and safety, encouraging professional development, and improving the quality of life at work.

Steered by the Group, this vision led to the creation of the Group CSR team in 2020 and, in 2021, to the creation of the Quality and CSR Department.

It is driven by a network of CSR coordinators who help to develop and disseminate our corporate responsibility culture on a daily basis in every country in which we operate.

To ensure that these guidelines are operational from a continuous improvement of practices perspective, Lactalis Ingredients has established a certification policy based on three main standards: ISO 14001 for the Group as a whole, FSCC 22000 and Sedex for the Division. This policy, particularly with our participation in Sedex - a collaborative platform for sharing responsible sourcing data related to the supply chain - meets our customers' current requirements in terms of sourcing, safety, environment, and the social and ethical side of business.

As a member of the UN Global Compact, the Group's policy is also in line with the United Nations Sustainable Development Goals (SDGs), which include fighting world hunger, education, water use, clean energy, decent work and protecting the planet.

Initiated more than three years ago by the Division and reinforced by the significant demand from our professional clients, this policy is now being implemented at all levels within the Group.



RESPONSIBLE FOR THE PLANET

As a family-owned company for more than 85 years, the Lactalis Group is associated with the history of the local area. The land is therefore part of our DNA as a dairy company and as a leading international dairy group, it is only natural that we would take action to preserve it.

In 1999, the Group decided to go beyond collective measures by launching its “Cap sur l’Avenir” (Heading towards the Future) charter, which has been regularly updated since. Participating farmers undertake to adopt the best practices with regard to the health, feeding, well-being and safety of their herds, the quality of the milk produced, the reduction of energy consumption and the protection of water resources.

For the Group, extending these good practices to all the countries in which it operates is a major challenge.

The Lactalis Ingredients division implements these guidelines through the trust it has built with its stakeholders, an ongoing certification policy and the pursuit of industrial solutions aimed at reducing its carbon footprint and preserving water resources at all its production sites.

Participating in Sedex - a collaborative platform for sharing responsible supply chain sourcing data, which includes a section on the environment - is one example of our commitment.





1| **REDUCING** OUR CARBON FOOTPRINT ACROSS THE ENTIRE VALUE CHAIN

Climate change has become one of the major challenges of our time. It already affects our daily lives: higher temperatures, drought, violent storms all indicate that it is urgent to act in a concrete manner to reduce greenhouse gases across the world. As an international food manufacturing company operating across the entire production chain with a strong agricultural component, we are aware of the need to do our part for a more resilient planet. To contribute to a low-carbon future, we are addressing our own operations (scope 1 and 2)¹ and have determined the impact on our entire value chain (scope 3). In 2021, we assessed our carbon emissions based on the GHG Protocol methodology, using our 2019 emissions as a reference. Based on the results, the Group has developed and continues to improve its roadmap (scopes 1&2) to reduce its greenhouse gas emissions. As of 2022, the Group will work on the roadmap for scope 3.

2021
95.5%
COMPLIANCE WITH THE GROUP'S
"CAP SUR L'AVENIR" GOOD BREEDING
PRACTICES FOR THE ENVIRONMENTAL
ASPECT

1. Scope 1: direct emissions; Scope 2: indirect emissions from energy consumption; Scope 3: other indirect emissions.
2. Gases included in the Kyoto Protocol: carbon dioxide (CO2), methane (CH4), nitrous oxide (N2O), hydrofluorocarbons (HFCs), perfluorocarbons (PFCs), sulfur hexafluoride (SF6), nitrogen trifluoride (NF3)...

The GHG protocol

The GreenHouse Gas Protocol, is an international protocol for measuring and managing greenhouse gas² emissions from private and public activities. It provides the recommendations and advice to companies and organisations that are assessing their carbon emissions.



TAKING ACTION ACROSS THE ENTIRE PRODUCTION CHAIN

We are aware that as a dairy company, more than 80% of our GHG emissions occur outside our direct operations, both before and after our value chain. Milk, our main raw material, is a major source of indirect GHG emissions. To ensure that our targets are in line with the Paris Agreement's scientific recommendations, in early 2022 we committed to the Science Based Targets initiative (SBTi)³. Approval of our approach will enable us to speed up the efforts we are already making to reduce our carbon footprint. For the Group, adopting the GHG Protocol means pledging to adopt the most widely used greenhouse gas accounting standards in the world alongside the largest international groups.

MILK PRODUCTION

It is essential to initiate dialogue with all our partners to speed up the reduction of our indirect emissions (known as "scope 3"), particularly in relation to farmer and supplier activities.

Two innovative solutions

We have chosen the Valorex Eco-Sens solution to estimate the amount of methane produced during the animal's digestion, which makes it possible to balance the feed. In 2021, we carried out an initial carbon footprint measurement on a first sample of 700 farms, representing 50% of our global milk collection. We chose the Cool Farm Tool from the Cool Farm Alliance to conduct this diagnosis before analysing the results.

3. The Science Based Targets Initiative (SBTi) is a joint project by the Carbon Disclosure Project (CDP), the United Nations Global Compact (UNGC), the World Resources Institute (WRI) and the Worldwide Fund for Nature (WWF), and is one of the undertakings of the We Mean Business coalition. SBTi defines and promotes best practices for setting greenhouse gas emission reduction targets, and independently assesses companies' targets.
4. Pathways to Dairy Net Zero is an international initiative to accelerate action on climate change in the global dairy sector. More than 80 organisations representing 30% of global dairy production currently support this initiative.



Optimising transport

From milk collection to product delivery across the world, transport is an ever-present element of the Group's value chain. International freight is carried out exclusively by sea, which is less energy-consuming than air transport. The Lactalis Ingredients division is the leading operator of non-refrigerated dry containers in France.
→ 10,600 40-ft containers;
9,400 trucks in 2021.
→ 5,090 T of CO₂ in 2021.

Group targets to reduce greenhouse gas emissions

- Reduce our scope 1 and scope 2 emissions by at least 25% by the end of 2025 (base year: 2019).
- Reduce our scope 1 and scope 2 emissions by at least 50% by the end of 2033 (base year: 2019).
- Carbon net zero by the end of 2050.
- Lactalis is part of the "Pathways to Dairy Net Zero" initiative.⁴

Earthworm Partnership: to reduce the proportion of soy and palm oil in the diet and fight against deforestation

To ensure the vital role of forests in carbon sequestration and protecting biodiversity, Lactalis is firmly focused on the fight against deforestation. The Group has therefore turned its attention to issues related to palm oil and soy use. In partnership with the NGO Earthworm, the Group has identified the indirect footprint, associated with the proportion of soy and palm in the cows' feed, and the direct footprint in terms of volumes of palm oil purchased. For the indirect footprint: 100% of the milk produced will be subject to an on-farm assessment of the volumes and origin of palm oil, soy and their derivatives used in animal feed by 2025 (2026 for Brazil). For the direct footprint: in 2021, Lactalis Ingredients replaced 100% of the volumes of palm oil used for filled milk powders with RSPO certified palm oil.



NOTABLE GROUP FIGURES

86%

OF PARTNERING FARMERS PREFER GRASS FEEDING, REPRESENTING MORE THAN 78% OF MILK COLLECTED

ECO-SENS

-12%

OF GHG EMISSIONS FROM COWS/ 220 USER FARMERS

COOL FARM TOOL TO MEASURE THE CARBON FOOTPRINT OF

1,300

DIRECT FARMS IN EIGHT COUNTRIES, REPRESENTING ALMOST 50% OF LACTALIS GROUP'S WORLDWIDE MILK COLLECTION (9.8 BILLION LITRES)

REDUCING THE CARBON FOOTPRINT OF OUR OWN OPERATIONS

Environmental performance is one of the objectives at Lactalis Ingredients sites. The largest part of our carbon footprint arises from the drying process, which requires a great deal of energy to evaporate the water.

To meet these challenges, we are tackling them on two levels. We are consolidating our certification process by implementing the ISO 14001 international environmental standard. At the same time, we are implementing industrial initiatives to reduce our emissions (scopes 1 & 2). This includes improving our energy efficiency, switching to renewable energies and monitoring innovation to seize new opportunities.

Certification goals

→ ISO 14001: certification of all our sites by 2024.

LACTALIS INGREDIENTS KEY FIGURES

305,178 eqCO₂

GHG SCOPE 1&2 IN 2021 EXCLUDING FUGITIVE AND MOBILE EMISSIONS

Three energy transition projects

SOCIÉTÉ LAITIÈRE DE RETIERS

A boiler room that uses waste in SRF (Solid Recovered Fuel) form



70% less gas consumption on the site

-60% CO₂ emissions (based on 2019)

33,400 T/year of SRF consumption (240,000 T are produced in Brittany, representing 15% of regional SRF resources)

An investment of **€31 million**, of which more than 30% will be financed by ADEME as part of the call for "SRF Energy" projects

In partnership with Séché Environnement, a specialist in industrial and household waste management, La Société Laitière de Retiers is replacing its natural gas boiler with a SRF (solid recovered fuel) boiler facility. Thanks to the use of non-recyclable waste, this boiler room will help reduce the proportion of fossil fuels and significantly reduce its environmental footprint. The project will be fully operational by the end of 2025.

"Gas represented 90% of our energy consumption. A large part of it will be replaced by the combustion of waste, which is recyclable. This boiler will also make it possible to reduce landfill and to structure a SRF recovery system in Brittany. This process is perfectly suited to a highly energy-intensive facility like Retiers," says Bruno Alix, director of La Société Laitière de Retiers.



VILLARROBLEDO

An area of photovoltaic panels and a thermocompressor



Photovoltaic panels

- Surface area: 9,468 m² of photovoltaic panels
- 2022: 50% renewable energy; 2024: 80%
- Reduce CO₂ by 1,720 T/year
- Produce 4.8 GW or 25% of the energy consumed across the site

Thermocompressor

- Drying workshop gas consumption: divided by 3
- Investment: € 2M

The contract signed between Villarrobledo and Iberdrola in January 2021 provides for the installation of an area of photovoltaic panels, which will generate 20% of the site's energy consumption. The supplier will build and operate the panels, and the factory will buy 100% of the electricity produced. Work will begin in August 2022. In addition, a membrane concentration facility was commissioned in 2022. This alteration will reduce the consumption of fossil fuels previously used to produce steam.

"The Group's objective was to move away from co-generation. We have therefore allocated substantial resources. The economic model of the photovoltaic panels - selling surplus energy to the network - means that we can control our energy consumption within the framework of a sustainable vision," says Samuel Alvarez Cabrero, director of the Villarrobledo factory.



WALHORN

Roof areas covered with photovoltaic panels



- **9,000 m²** of roof area covered following renovation (storage warehouses and UHT production workshops) with **4,800 m²** of photovoltaic panels
- **5%** of the site's electricity consumption

Investment: partnership with third-party investor ENERSOL.

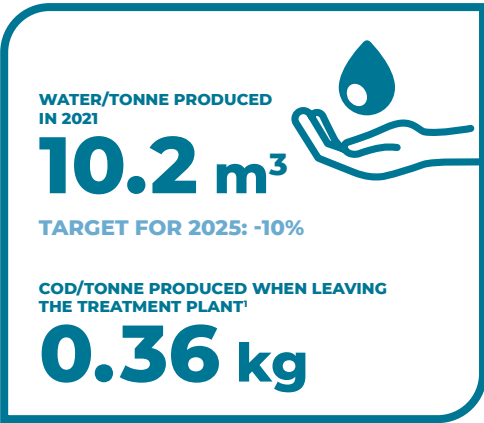
As the Group seeks to reduce its CO₂ emissions, the Walhorn plant, in partnership with ENERSOL, is installing photovoltaic panels on part of its roofs. In September 2021, the project, which is being carried out under local regulations, obtained the "green certificates" required in Belgium to invest in renewable energy. The technical arrangements between the partners (German-speaking community, municipality, insurance companies, Group bodies) are currently being finalised. Commissioning is planned for 2022. "In Walhorn, photovoltaic panels are an ecological solution that will complement co-generation.

"The only limitation here is the stance taken by the local authorities, which does not allow photovoltaic panels to be installed in agricultural areas and therefore makes the volume of energy produced dependent on the available roof surface," explains Paulin Lemarchand, Director of the Walhorn factory.





Water is omnipresent in the Group's activities, from the start when it is used for watering livestock to the end when it enters a water treatment plant. It is therefore our responsibility to use it wisely. This is why the first water treatment plants were set up more than 40 years ago. Transforming milk and its by-products into ingredients means water consumption is a critical issue for Lactalis Ingredients, with milk processing accounting for 30% of our water footprint.



2 | PRESERVING WATER RESOURCES

PRESERVING AND REUSING WATER

In 1999, the Group launched “CAP sur l’Avenir”, its charter of good animal husbandry practices, which obliges participating farmers to adopt water-saving methods and to protect the resource. To do this, it provides them with funding, training, and technical support.

At Lactalis Ingredients, a large part of our water footprint results from its use at the processing stage. The installation of cleaning in place (CIP) equipment in the Division’s factories means water can be recycled limiting use of water.

ENSURING THE QUALITY OF DISCARDED WATER

Water that is released into nature flows back into the fields where cows graze and into the human environment. The quality of downstream effluents is therefore a particular responsibility for us with regard to the natural ecosystem. In order to be able to carry out the treatments and analyses of the pollution load in accordance with the latest standards in effect, we have therefore undertaken an extensive renovation programme for our wastewater treatment plants.

1. Chemical oxygen demand: the amount of oxygen needed to clean up water.

Each Lactalis Ingredients factory has its own wastewater treatment plant. The plants in Petit Fayt, Vimoutiers and Saint-Florent are currently under renovation. Given the treatment capacity of our treatment plants, we also establish partnerships with local companies for treatment of their regular effluents.

RETIERS KEY FIGURES

30%
OF WATER CONSUMED IS EXTRACTED FROM WHEY AND MILK

350,000 m³
LESS WATER/YEAR DRAWN FROM THE ENVIRONMENT (GROUNDWATER, RIVERS, LAKES)

RETIERS CHOOSES TO RECYCLE

“Producing infant and pharmaceutical lactose requires extreme levels of purity, and a large amount of water as a consequence. Recycling this water has two main advantages. Firstly, we significantly reduce the water we draw from the environment. The volume of water released from the wastewater treatment plant (WWTP) is also lower, limiting our impact on the natural environment. Secondly, we are currently working on our WWTP to trap residual phosphorus and COD in order to dispose of water that has been upgraded from “poor” to “good” quality. These different actions help to preserve natural resources.”

Bruno ALIX
Director of La Société Laitière de Retiers

FOCUS

Transforming milk from a liquid to a powder is achieved through evaporation/drying. This process consists in removing the 90% of water contained in whey and milk through evaporation. Rather than sending the extracted water directly to a wastewater treatment plant, it is reused in a cleaning circuit: first it is “polished” to eliminate any germs or chemicals, and then it becomes pasteurised water “ingredient” that can be reused to produce lactose. It is only at this stage, and not at the extraction stage, that it is sent to a wastewater treatment plant.



3 | TAKING CARE OF THE ANIMALS ALL ALONG THE SUPPLY CHAIN

As the world’s third milk collector, we pay close attention to all the animals in our supply chain, particularly the 5 million animals that provide us with the milk we process (cows, buffaloes, ewes, and goats). We have a responsibility towards them and acknowledge them as sentient beings. There is also a strong correlation between their welfare and milk quality. Contributing to animal welfare therefore improves our partner farmers’ performance and meets consumer and citizen expectations.

GROUP AMBITIONS

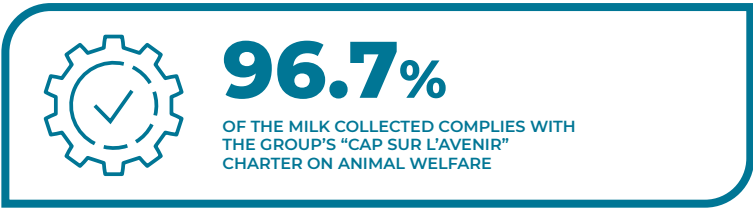
- 100% of our dairy technicians will be trained in animal welfare by 2023¹.
- 100% of our direct milk volumes will be subject to an on-farm animal welfare assessment by 2025 (by 2026 for Brazil)¹.
- Routine tail docking to be phased out by 2022¹, and routine dehorning to be phased out by 2025.

RESPECTING STANDARDS

We collect milk in 49 countries across a wide range of farming systems. We have therefore developed an approach to animal welfare that is both realistic on an international level and relevant on a local level. Firstly, the ‘five freedoms’, which are widely recognised (notably by the World Organisation for Animal Health - OIE), are the corner stone. Secondly, we favour a scientific approach drawing heavily on the Welfare Quality® protocols (which define animal welfare assessment procedures), and the expertise of the Welfare Quality Network, of which we became an associate member in 2021. Finally, as national charters are often already in place, we follow them as much as possible.

IMPROVING PRACTICES WITH THE HELP OF OUR PARTNERS

In 2021, we carried out an extensive audit on 700 pilot farms in 9 countries, representing about 50% of our global milk collection (22 billion litres). The sampling methodology used to select the pilot farms was defined with our partner Wageningen University & Research to extrapolate the data.



1. The objectives apply to operations associated with the direct volumes of raw (cow) milk collected by Lactalis in 8 pilot countries: Australia, Belgium, Brazil (Lactalis Do Brazil branch), France, Italy, United Kingdom, and United States (Lactalis American Group and Stonyfield branches). These direct volumes represent 45% of the total annual raw milk collected by Lactalis (roughly 9.8 million litres, 2021 figures).

We then shared the results with renowned NGOs and our internal experts to establish the Lactalis Group Animal Welfare Policy: zero tolerance of cruelty to animals, the structuring of a continuous improvement process with our farmers and dairy technicians, and annual publication of our progress. Country by country, our teams are encouraged to go beyond this Group policy if local conditions allow.

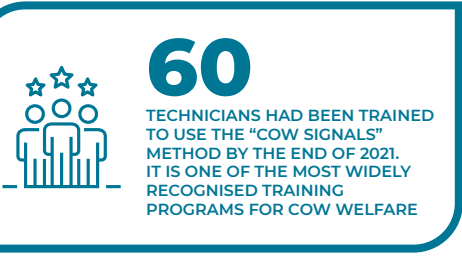


Cow Signals

Cows constantly show signs of well-being and health. The “Cow Signals” method developed by Dutch veterinarian Jan Hulsen teaches us how to observe and interpret these signs. About 20 points can be observed to monitor a cow’s health and well-being. A healthy cow will breathe calmly, have a full stomach and a shiny coat. In contrast, an unhealthy or uncomfortable cow will have low, cold ears, sunken eyes, or swollen limbs. Lucile Mérienne, a dairy technician at Lactalis, explains: “The ‘Cow Signals’ method provides the producer with a set of solutions that are relatively easy to implement. Often, all it takes is a few adjustments: pushing a bar further into the cubicles, widening the feed fences slightly, or moving the water troughs. This method means that you can put yourself in the animal’s position to improve its well-being and achieve greater technical and economic efficiency.”

Boviwell

The Lactalis Group has joined the French interprofessional initiative (CNIEL) aimed at promoting good farming practices based on realistic, relevant indicators. **The goal is to respond to consumers who are increasingly concerned about animal welfare.** “Boviwell”, the tool that has been selected by the industry, highlights the good husbandry practices, and identifies possible areas for improvement. This survey will enable technicians and farmers to discuss animal welfare practices on their farms. The technician will also observe the animals and their environment. The focus will be on injuries, limping, animal cleanliness and the amount of body fat, for example. Inside the building, the ease of access to the drinking troughs, their cleanliness, and the surface area available for the animals will be measured. At the end of the audit, the farm obtains an overall animal welfare score and a detailed score for each of the five fundamental freedoms² that make up animal welfare. The technician may suggest ways the farmer can improve and suggest solutions to boost performance.



2. The five fundamental freedoms for animal welfare according to the World Organisation for Animal Health are
Freedom from hunger and thirst
Freedom from discomfort
Freedom from pain, injury, and disease
Freedom from fear and distress
Freedom to express normal behaviour.

RESPONSIBLE FOR INCREASINGLY HEALTHY NUTRITION FOR ALL

Our purpose defines who we are and how we run our business.

We are driven by a passion for milk. From this raw material, our greatest responsibility is to transform and enhance milk to produce a wide range of ingredients to meet the challenges of a healthy diet for all.

This means we need to address two major societal challenges. The first is to provide our customers with safe food. For this, we use the FSSC 22000 standard to guide us. In addition, we monitor the “First Time Right” indicator, which assesses our ability to achieve our product quality objectives without loss of materials, thereby reducing the environmental impact of processing non-compliant products.

The second challenge is to promote better nutrition for everyone, everywhere.

In this context, in 2022-2023 we will be launching a campaign to analyse the nutritional value of all our products. This is intended to meet the end consumer’s need for transparency by providing our customers with better information.

At the same time, we are aware of our responsibility as a global player in food and nutrition, committed to customer satisfaction, and are pursuing our innovation policy to meet the nutritional needs of each consumer category.





1 | GUARANTEEING FOOD SAFETY

Milk and its derivatives are very unique products: stemming from living organisms, they are fragile materials that must be processed promptly and whose quality must be monitored throughout the process. These products, which feed the entire planet, must satisfy very diverse requirements depending on the application, cultures and even the individual profiles of our customers or their consumers. To overcome these challenges, we apply the FSSC 22000 standard and strive to produce and deliver safe ingredients that comply with the specifications we have agreed to, every day, across the world.



COPING WITH DEMANDING REQUESTS

All of our customers have high expectations. These expectations can vary in terms of functional aspects such as resistance to heat treatment for UHT products, high elasticity for butter incorporated into puff pastry, white colour for lactose intended for ice cream, etc. It is essential to understand them in order to identify the most suitable reference. It is then important to provide clients with the product that matches their specifications, as our ingredients will have an impact on their finished products.

Recipes for infants and young children are particularly stringent and require our full attention. But whatever the customer or the recipe, health safety is not negotiable.

CONSTANT PRODUCT QUALITY CONTROL

In France and in the other countries where our plants are located, the context is particularly sensitive, and the entire Lactalis Ingredients chain of command is involved. To guarantee the safety of our products, we have chosen the FSSC 22000 operating framework. This standard provides a structuring framework focused on food safety at every moment and for every link in the chain. It also enables us to meet the expectations of some of our clients, who want to be approved by the GFSI (Global Food Safety Initiative).

The FSSC 22000 standard

FSSC 22000 is an international food safety certification system approved by the Global Food Safety Initiative (GFSI). Geared specifically to the food manufacturing sector, it ensures a food safety management system and demonstrates a commitment to identifying, assessing, and managing hazards. It meets the legal compliance and food safety quality requirements and is a tool for measuring, improving, and monitoring performance.



2 QUESTIONS FOR
Stéphanie HERMON
 Quality Manager
 for La Société Laitière
 de Mayenne

What is the purpose of the FSSC 22000 standard and what are the main requirements?

This standard aims to regulate food safety at each stage of production and involves all the support services. It means that elements that are already taken into account, but which are scattered, can be redirected to a single priority - product safety - without forgetting any of the players. The specific recommendations cover health risks related to the product, packaging, air, people, waste management, pests, etc. With the support of the Group, we have also treated new concepts: Food Fraud, Food Defense, Food Safety Culture.

What benefits does the Division hope to gain from implementing this standard?

Switching to this standard has revitalised the quality process in the factories. In Mayenne, for example, which has been ISO 9001 certified since 1994, FSSC22000 certification has given all the teams a new challenge. We set up interactive workshops on the rules and objectives of the standard for all staff. Quality breaks and quality workstation inspections were also important opportunities to discuss quality. In 2019, this approach contributed significantly to successfully achieving certification. The standard meets the new customer requirements, and regulations in Europe and other countries we export to.



First Time Right (FTR): a win-win strategy

Getting it right the first time means that we have mastered the specificities of our raw materials, our customers, and our processes, and that we do not generate carbon emissions linked to the return of the product, nor waste linked to methanation, nor energy consumption linked to new production. First Time Right is good for the environment, good for quality, good for the customer, good for costs, and good for competitiveness.

A SOUND, COMMON FOOD SAFETY PHILOSOPHY

The best practices, inspections and audits in place mean we can manage health risks.

However, we want to push forward and challenge ourselves by broadening the exchange of existing best practices, sharing good ideas and highlighting successful experiences, both in our plants and at all functional levels within the Division. By giving a cross-functional dimension to the process, the objective is to make food safety a common philosophy, involving all employees, regardless of their professions and functions.

STRIVING TO SATISFY EACH OF OUR CLIENTS

To meet the diverse needs of our customers, we offer a wide range of products and processes, sometimes resulting in “tailor-made” solutions. To limit the risk of goods being returned, downgraded, or destroyed – both in terms of customer satisfaction and carbon impact – we have established performance indicators.

The “First Time Right” indicator measures our ability to deliver recipes as soon as they are requested, and the customer service rate measures the quality of delivery to the customer. Our obligation is to deliver the right product, to the right place, on time.



2 | PROMOTING BETTER NUTRITION FOR ALL

Nutrition is one of the pillars of sustainable food as defined by the World Health Organisation in its One Health concept. Our role in adapting to the specific nutritional needs of a given population is therefore very important. We are committed to responding to the growing demand for information from consumers - our clients' customers - by helping them to make informed choices. This is achieved by improving our transparency policy, launching a plan to analyse the nutritional values of all our ingredients by the end of 2023, and by improving our nutritional labelling.

We are also pursuing an innovation policy focused on products with a high nutritional value, in order to help improve our clients' finished products.



TARGET FOR 2023:

100%
OF OUR PRODUCTS
ANALYSED BASED ON
THE FIC REGULATION

TO RISE TO THE CHALLENGE OF HEALTHIER NUTRITION FOR ALL, LACTALIS INGREDIENTS IS WORKING ON FOUR THEMES:

- 1 • Transparency**
- 2 • Innovation**
- 3 • Improvement**
- 4 • Awareness**



“Innovation in nutrition at Lactalis Ingredients is carefully designed to meet the needs of consumers following the latest scientific trends in nutrition to ensure that they receive suitable, effective nutrition.”



Amandine LIGNEUL

Nutrition Manager
Lactalis R&D, Retiers

1 • PRODUCT ANALYSIS CAMPAIGNS TO HELP CONSUMERS MAKE INFORMED CHOICES

Debates over nutritional scoring systems have highlighted the importance of giving consumers the keys to making informed choices to suit their needs. As a supplier of ingredients to the food and nutrition industries, Lactalis Ingredients has a role to play in informing the consumer.

Given the variability of our raw materials, starting in 2022, our recipes will be analysed twice a year over two years by external laboratories in accordance with the FIC (Food information to consumers) regulation (not yet applied to B2B companies).

Based on these analyses, we will be able to provide our customers with technical data sheets enabling them to provide consumers with detailed nutritional labelling.

2 • AN INNOVATION POLICY TO ENSURE IMPROVED NUTRITION IN OUR PRODUCTS

In order to meet the diverse needs of consumers and ensure suitable and effective nutrition, Lactalis Ingredients has pioneered the production of native proteins, with **Pronativ® Native Whey Protein**, and continues to work in this field.

In 2021 we launched **Pronativ® Native Micellar Casein**, a slow-digesting protein for feed formulation that requires low viscosity, high protein density and a neutral taste.

This protein is of interest for catering to the biological clock of the elderly. Such innovation in native proteins offer nutritional perspectives that respond to new consumer trends: providing quality proteins for malnourished patients or those at risk of malnutrition or reducing the protein content of infant formulas.

3 • PARTICIPATING IN THE UPGRADING OF OUR CLIENTS' PRODUCT PORTFOLIOS TOWARDS HEALTHIER PRODUCTS

In order to support our clients in developing products with a shorter list of ingredients, our application engineers are working to better understand the functional properties of our proteins. In 2021, we developed a prototype of a high-protein drink with native proteins to achieve a shorter ingredient list.

4 • RAISING AWARENESS OF THE BENEFITS OF DAIRY INGREDIENTS

In 2020, Lactalis Ingredients joined the European Whey Processors Association (EWPA) to improve consumer awareness of serum proteins via the digital platform: **wheyforliving.com**.

This science-based platform targets the general public and guides consumers in their choice of protein. Engaged in this initiative until the end of 2022, we have decided to renew our participation for another three years.



“Given the variability of our raw materials, starting in 2022, our recipes will be analysed twice a year over two years by external laboratories in accordance with the FIC regulation (not yet applied to B2B companies).”



RESPONSIBLE FOR OUR PEOPLE

Men and women are at the heart of social concerns in keeping with Lactalis' family business model.

As an industrial player, the Group is developing a robust Health and Safety prevention program for the workplace and is determined to achieve the only acceptable goal of zero accidents in the workplace and zero occupational illness.

The development of the Division's men and women is the centrepiece of our CSR policy because that is what makes Lactalis unique.

The #LactalisExperience, designed to help them achieve their full potential with pleasure and pride within expert teams, permeates all aspects of daily life.

The Division implements this through a Quality of Life at Work policy at each of its sites.

The Managerial Survey, a powerful tool for analysing and meeting expectations

In October 2021, each employee of the Lactalis Ingredients Division had the opportunity to participate in the managerial survey by anonymously answering 55 questions. The participation rate of our Division's employees was high, reaching 87%.

This participation rate lends credibility to the results obtained and motivates each manager in the Division to work with his or her teams to consolidate the areas deemed to be strengths and address the areas thought to need improvement.

The survey measured two indicators:

- The commitment index ("I want") for which we scored 64%.
- The setting the conditions for success index ("I can"), for which we obtained a score of 67%.

Each manager analyses the situation locally with the teams to determine the themes that need further attention in addition to the areas identified at divisional level, so that we can meet the expectations of our employees as far as possible.

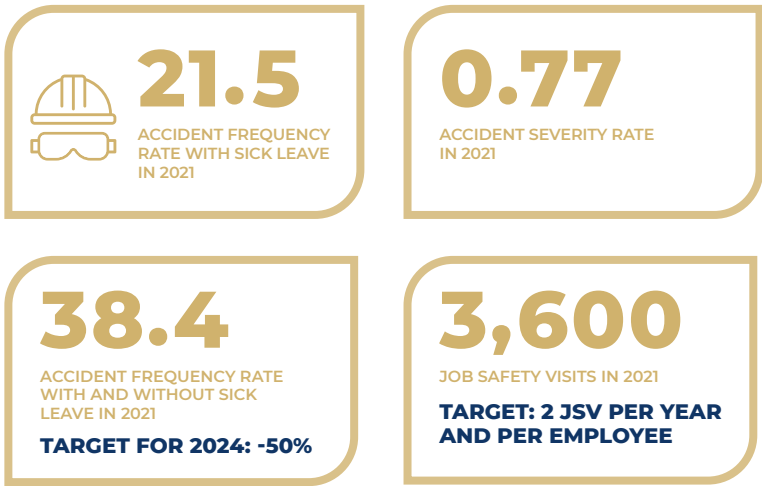


1 | SAFEGUARDING HEALTH AND SAFETY AT WORK

At Lactalis Ingredients, safeguarding the health and guaranteeing the safety of our employees and our local partners is a prerequisite for all our activities. For this reason, the Lactalis Ingredients Division Executive Board and all the industrial site managers reiterated the fundamental Health and Safety principles at the beginning of 2022. It is one of the pillars for performance, alongside quality, productivity, and the environment. Everyone is responsible for their own safety, that of their employees, and those around them.

THE FUNDAMENTAL HEALTH AND SAFETY PRINCIPLES

- **Safety is a core value for the company**
It is a constant concern, not a fleeting priority
- **All accidents are preventable**
- **Health and safety require a committed management team**
- **Safety is a prerequisite and a condition of employment**
All employees must comply with safety rules in all circumstances



CLEAR, SIMPLE MANAGEMENT TOOLS

Lactalis Ingredients has defined four health and safety management tools:

- Job Safety Visits (JSV): two JSVs are organised with each employee every year. In 2021, 3,600 JSVs were carried out.
- Assessment of occupational hazards (AOH),
- Analysis of undesirable events (AUE),
- The safety briefing: to ensure that everyone receives and shares information on safety and to make it a central part of activities.

“Safety is now a condition of employment; it must be considered a way of being and working, regardless of the job carried out in the company. It is no longer a mere skill, concern, or priority, it is a value.”



Olivier RECEJAC
Deputy Industrial Manager

ADAPTING IN TIMES OF CRISIS

In 2021, the ongoing Covid-19 pandemic meant we had to maintain protective measures for the successive waves of the epidemic to continue to protect the health of our employees and ensure the continuity of our business. The Health and Safety Policy was renewed in 2021. It now expresses the Group’s ambition to achieve zero work-related accidents and occupational illnesses with a clear Health and Safety rule: “No job is ever so urgent or important that we don’t take the time to do it safely”. This policy has now led to a specific objective: to halve the rate of work-related accidents by the end of 2024.

PRACTICAL ACTIONS

Since 2018, 38 video clips about accidents or best practices have been produced at all sites. The strategy is to use real-life situations and first-hand accounts from volunteers to convey safety messages. This approach, “an operator talking to an operator”, has been very successful. Training is a crucial aspect in our commitment to safety. In Bourgbarré, a two-day road safety training course was also run by an external service provider. This enabled 300 people to take part in practical and interactive workshops designed to improve their understanding of the risks involved in travelling by car.

“More than 80% of staff reported that the factory had reacted well to Covid 19 (communication, HR measures, compliance with protective measures, supply of masks at the start of the crisis, etc.) and that all the necessary measures had been taken to ensure that people felt safe in their workplace. We can also conclude that the impact of Covid was limited, especially in the drying section where activity never ceased and where employees were always present while respecting the protective measures implemented by the factory. Many people regularly told me that they felt much safer at the plant than elsewhere! It was indeed necessary to rethink the company culture in the wake of this crisis. We had to reassure people, be supportive, and above all answer all the client questions. Initially, this involved communicating on the continuity of our services during the crisis and adapting to highly fluctuating markets depending on lockdowns.”



Laurent LOUBOUTIN
Manager of the Saint-Florent-le-Vieil factory (49)



28 April 2021: participation in the World Health and Safety at Work Day

In 2021, for the first time, the Group participated in World Safety Day by organising themed workshops (chemical products, wearing a helmet, warming up, first aid, etc.) at each site. The Warming up workshop, for example, included seven videos on how to prevent back problems, the second most common cause of workplace accidents.

SOME INITIATIVES

COLLABORATING WITH A PHYSIOTHERAPIST IN VERDUN

In partnership with the ADOR association, which runs public health initiatives in the workplace, the Verdun plant, in collaboration with a physiotherapist, launched a gestures and postures initiative two years ago. The principle is that one should not suffer from work at work, and one should not suffer from private life at work.

This has two components:

- **An approach to restricted movements and postures**
Conditions at work where it is not possible to adopt the correct movements and postures are inevitable. The aim is to find solutions alongside the employees for situations that are not recommended (adapt by understanding what we are going to do: technical improvements, warming up muscles in tune with the task). On-site observations and discussions mean that restrictions linked to the work environment can be taken into account.
- **Individual, personalised, and confidential coaching for employees with physical problems due to their job or private life.**
The aim is to identify health problems, lifestyle, and off-the-job issues in order to understand the difficulties at work. To date, roughly fifteen voluntary employees have taken advantage of this scheme.

WORK WARM UP

After a number of accidents associated with physical activity and as part of an initiative to prevent Musculoskeletal Disorders, Lactalis Ingredients factories are focusing on warm-up exercises at work.

"The morning warm-up mixes work and pleasure. Work, because it wakes up the muscles and prepares the body for the day's work, and pleasure because it's a social gathering where everyone can talk about technical or any other subjects." Yoann Bellier, Maintenance Technician at La Société Laitière de Retiers.

"Every morning, it started by broadcasting videos made by the Lactalis Ingredients Division's safety department. Over time, each employee contributed his or her knowledge or made suggestions for new warm-up exercises. Now, each morning, there is a different coach to provide a different kind of activity. As Alexandre says, "it's a good way of boosting team cohesion." Ludivine Guilmeau, Health and Safety Coordinator at La Société Laitière de Mayenne.



2 | FOSTERING THE BEST PROFESSIONAL DEVELOPMENT

> LEVERS FOR FACING CHALLENGES:

Several campaigns are carried out internally and externally to explain the pillars on which the Group bases its operations and success: Expertise, History and Passion.

- The policy of integrating work-study students and trainees in operational jobs in factories and support functions is intended to prepare future managers.
- In 2020, 60% of these young people joined the teams.
- Thanks to a proactive in-house promotion policy that seeks to highlight career opportunities within the Group, 40% of positions are filled by employees who already work for the Group. In-house training is a lever to support such integration and development within the company.

The Lactalis Ingredients division operates in a constantly changing environment with very short-term visibility. This requires the ability to adapt quickly and to innovate in its operating methods.

The Division's performance is based on its employees' extensive skills and commitment. Employee loyalty, attracting new talent and ensuring they develop their skills are challenges that the Division strives to meet using several levers.



60%

OF WORK-STUDY STUDENTS AND INTERNS INTEGRATED INTO LONG- OR FIXED-TERM CONTRACTS IN 2021

40%

OF POSITIONS FILLED IN-HOUSE IN 2021

60

IN-HOUSE INSTRUCTORS, 40% OF TRAINING HOURS IN 2021

“Living the Lactalis experience also means being proud, responsible and happy on a daily basis within a company that cultivates in-house promotion by empowering its employees at a very early stage in their careers.”



Jean-Yves REMOND
LACTALIS GROUP
Human Resources Manager

PROMOTING THE EMPLOYER BRAND
TO ATTRACT TALENT

The Group is working on its appeal as an employer to make the benefits of the #LactalisExperience more visible prior to the recruitment phase. Whenever possible, we are keen to ensure that our employer brand is visible to local employment authorities, schools, employment consultants, local authorities, etc.

On the 8th of October 2021, the founding act of our employer brand was launched: our first employee event. It consisted of a day of events organised at all sites, dedicated to promoting our professional culture. Our employees are - and will always be - the primary ambassadors for our employer brand.



69%

OF EMPLOYEES FEEL THAT
“WITHIN THEIR COMPANY,
THEY RECEIVE THE
NECESSARY TRAINING
TO DO THEIR JOB WELL.”



“Living the Lactalis experience”

For one day, professionals from the Division’s sites shared their jobs and expertise with their colleagues and families. Testimonials of a personal and collective history, games, competitions, educational workshops, tastings, films: all these initiatives reflect a certain professional pride, a commitment to common values and faith in the future.

- Some of the initiatives
- Saint Florent : escape game
 - Mayenne: training on a miniature dryer (on loan from the Verdun agricultural college)
 - Verdun: mini fair (local partnerships)
 - Bourgarré: maritime logistics game
 - Vimoutiers: tour of the site
 - Retiers: Tasting session on the 'taste trail'.

“Live-my-life”

This programme, which is open to all employees with at least two years’ service, is designed to let them discover a Division or Group job over a period of two days, based on a project approved by their immediate superior and HR.

IDENTIFYING, PREPARING AND RETAINING
OUR LOCAL IN-HOUSE RESOURCES

Without our ability to secure loyalty, our efforts to attract new employees and offer a quality working environment would be useless. We encourage internal mobility by giving our employees more visibility: management reviews to identify internal talent, opening up positions for in-house recruitment via the LactaJob system, and getting a taste for the job with the “Live-my-life” programme.

EMPLOYEE DEVELOPMENT

Training matters are perceived very positively by employees: “Every year, we are offered a multitude of training courses: technical, movement and posture, quality-safety, management and time management, etc. 31 years later, I still learn something new every day”.

The Division is committed to **40% of training hours** being taught **by in-house instructors** and has 60 in-house instructors to achieve this. This is an opportunity for these employees to pass on their expertise and share their enthusiasm for their profession. These employees are trained to create and teach modules and adhere to the Internal Training Charter.

In 2019, the Division committed to creating the **Lactalis Ingredients Academy (LIA)**, a group of 11 internal experts who provide training for our specific expertise in milk concentration and drying. These training courses are aimed at all employees who need to improve their technical skills. This is a real asset for the integration of new employees in their function or to support them in the more detailed analysis of their process.

A WORD FROM THE INSTRUCTORS
AT THE LACTALIS INGREDIENTS ACADEMY

“There is no training for drying technicians. Thanks to our experience in the field, we are ready to pass on this know-how to all the Group’s structures, in France and abroad. As there are only a few of us who fully master these highly technical processes, it is important to share them.”



Eric PAILLAT
Production Engineer in Retiers

LABOUR RELATIONS AND SOCIAL DIALOGUE

The Group advocates a simple, local approach to social dialogue. Managers and HR teams build and maintain constructive relationships with employee representatives on a daily basis. Training courses have been rolled out since 2020 in order to further appropriate this vision for managers and HR teams.

“The educational and technical organisation of our modules is an opportunity to create a real community of instructors, acknowledged by the company and appreciated by the trainees, because we draw on real-life situations. This momentum is what motivates us.”



Pierre SCHUCK
Project Manager



3 | ENCOURAGING EMPLOYEES TO GET INVOLVED: “PROUD OF OUR GROUP”

In addition to health and occupational hazard prevention, quality of life at work is built around social issues relating to equity, diversity, work organisation, skills development and employability, and the meaning given to the tasks carried out. For Lactalis Ingredients, employee involvement is measured by their level of achievement and personal development.

> WHAT'S AT STAKE?

The QWL (quality of life at work), as imagined by Lactalis Ingredients, must enable employees to:

- work better,
- get on better together,
- achieve greater fulfilment.

Each year, a QWL roadmap is drawn up jointly with employees and staff representatives.

MOBILISATION AT ALL SITES

Each year, the site Quality of Life at Work commissions meet to define the measures to be taken on the themes of Health and Safety, the Work Environment, Work Organisation, Motivation, Skills Development and Living Together (see box opposite). These measures are outlined in an agreement signed with the social partners and aims to establish a link between “well-being at work and the company’s performance”.

The commissions are made up of staff representatives at each site. Their findings are presented each year in a poster that highlights the initiatives carried out during the year among the internal teams at the site and within the Lactalis Group.

This is reflected in the annual presentation of Quality of Life at Work Trophies during an official ceremony.

64%

= KORN FERRY STANDARD FRANCE

ENGAGEMENT RATE IN 2021

TARGET FOR 2022: maintain the engagement rate at the level of the Korn Ferry standard France

67%

WORKPLACE WELL-BEING RATE IN 2021

TARGET FOR 2022: 75%

The 2021 survey

Following a change of service provider, the scope of the survey was broadened, and a “Neutral” satisfaction position was introduced, which prevents the over-emphasis of approval positions. These two changes resulted in an average standard deviation of 12 points compared to the 2019 survey. When this deviation is lower, scores tend to rise, when it is higher, they tend to fall. Calculating the deviations makes it possible to compare with the previous version and explain why our indicators are down.

“The Trophies acknowledge our daily commitment. These measures are a source of motivation and performance at individual and group levels. [...] Retaining employees must always be at the forefront of our concerns.”



Jean-Luc BORDEAU

Chief Executive of Lactalis Ingredients



Escape Game in Mayenne: solve clues to help rescue a colleague from a confined space



Purchase of an electric bicycle for the employees of the Mayenne factory

2021 QWL Trophies: Three winning Lactalis Ingredients sites

- Trophy for innovative measures (the most unique initiatives): **Société Laitière de Mayenne, 2nd prize with schedule forecast reliability.** In 2020, the Mayenne site focused on improving the visibility of work schedules so that employees would feel more at ease in their personal organisation.
- Site Commitment Trophy (most committed teams): **Société Laitière de Vimoutiers, 2nd prize.**
- Trophy for Event Communication (most attractive posters): **Pôle Laitier de Retiers, 3rd prize.**

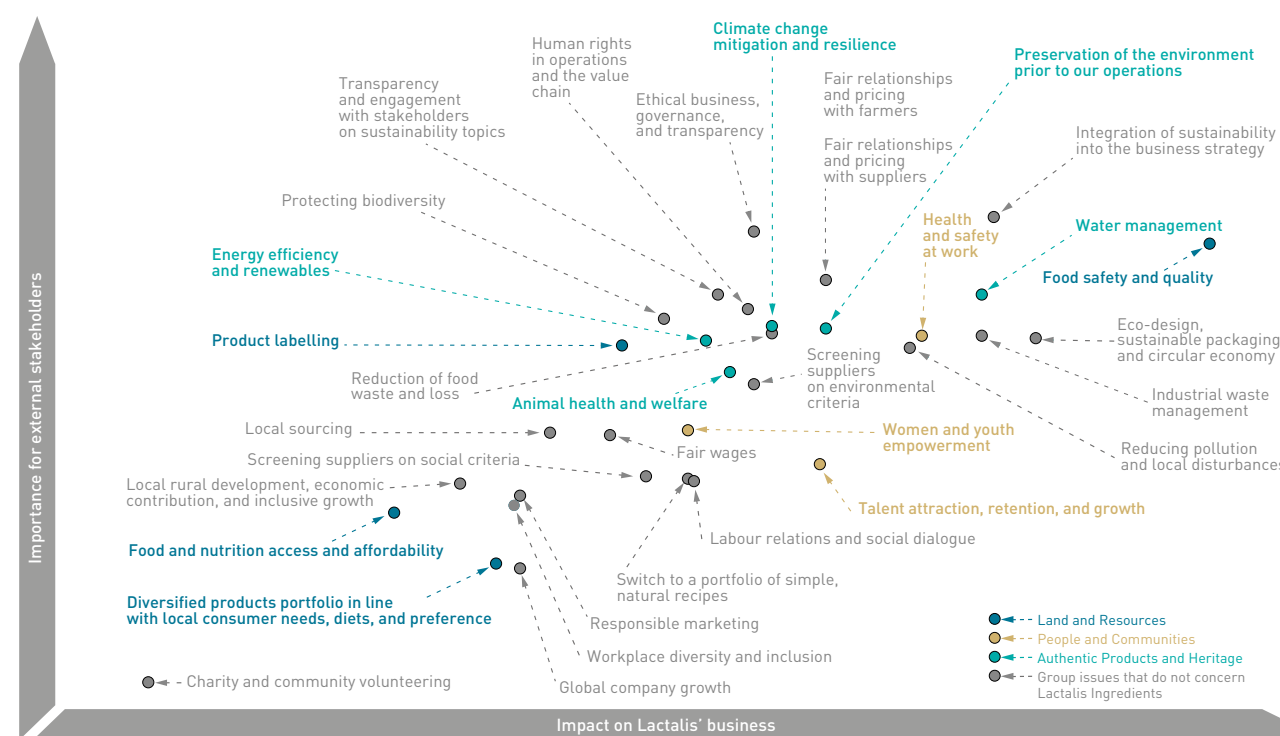
Muscle toning course in Retiers



THE LACTALIS INGREDIENTS **CSR POLICY**



GROUP MATERIALITY MATRIX



CATEGORIZING OUR CSR CHALLENGES

ISSUES	PILLARS		
	<ul style="list-style-type: none">• Integration of sustainability into the business strategy• Global company growth• Human rights in operations and the value chain• Ethical business, governance, and transparency• Transparency and engagement with stakeholders on sustainability topics		
	RESPONSIBLE FOR THE PLANET	RESPONSIBLE FOR INCREASINGLY HEALTHY NUTRITION FOR ALL	RESPONSIBLE FOR OUR PEOPLE
	<ul style="list-style-type: none">• Climate change mitigation and resilience• Energy efficiency and renewables• Water management• Animal health and welfare• Preservation of the environment prior to our operations	<ul style="list-style-type: none">• Food and nutrition access and affordability• Diversified products portfolio in line with local consumer needs, diets, and preference• Product labelling• Food safety and quality	<ul style="list-style-type: none">• Women and youth empowerment• Talent attraction, retention, and growth• Health and safety at work

LACTALIS INGREDIENTS **METHODOLOGY**

Lactalis Ingredients' social, societal, and environmental report covers the financial year ending 31 December 2021.

It was carried out in several phases:

- **a survey phase** with the subject leaders,
- **a collection phase** to gather content,
- **a phase to update** indicators and objectives,
- **a consultation phase** with the Management Committee to validate the issues and indicators.

THE MAIN PRINCIPLES

Lactalis Ingredients is in harmony with Lactalis Group's strategic themes, i.e., an approach characterised by:

- **authenticity and accuracy** of the information provided,
- **consideration** of what is upstream,
- **the quality** of operational execution,
- **reporting** on coherent perimeters,
- **the Challenges/Initiatives/Indicators/Progress Objectives** rationale.

GRI (Global Reporting Initiative) reporting principles inspired this work to initiate the reporting process. Lactalis Ingredients is committed to dialogue, particularly with customers and employees. The dialogue with the different sectors and representative NGOs is managed by the Lactalis Group.

One principle, that of relevance, has been the subject of an in-depth analysis by the work group to ensure that the report highlights the aspects that reflect the substantial economic, environmental, and social impacts of Lactalis Ingredients.

The conclusions of this work have shaped the contents of this report, particularly by choosing to devote a large part of the report to aspects considered relevant and a priority for both the stakeholders and the company.

This work has also made it possible to prioritise the development of certain indicators using a selective approach that consists of limiting the number, but ensuring they are relevant and tracked over time.

With regard to the survey phase used to identify and gather content.

This phase includes:

- in-depth interviews depending on the scope of the CSR (social, societal, or environmental aspects),
- a comparative study of reporting practices within the profession,
- a study of client requests.

With regard to the selection of subject-specific resources and liaison staff

Each theme has been placed under the responsibility of a resource person in charge of updating, submitting, and defining the indicators in terms of their relevance and the availability of information.

Each person is called upon to integrate the reporting into existing processes to ensure the availability of data.

With regard to defining the relevant issues

The criteria used to determine the relevant issues were:

- the subject is **central** to our clients,
- the subject is **present** in the public debate,
- the company **has received requests** for information on the subject.

With regard to updating the indicators

The majority of the indicators selected are present in the GRI reference framework, as well as in the European Directive on non-financial information. Several indicators specific to the company's professional field have been created or adopted to guarantee the relevance of the information provided.

This is notably the case for:

- animal welfare
- protection of water resources,
- well-being at work (internal managerial survey resulting from an average of different items),
- health and safety (number of JSVs).

The percentage of compliance with the “CAP sur l’Avenir” charter was based on criteria related to the environment and animal welfare.

Areas for improvement

This report can be improved. While some aspects have been examined in depth, such as the relevance of the issues to the activity, others are still a work in progress.

INDICATORS LACTALIS INGREDIENTS

Pillar	Indicators (KPI)	2019	2020	2021	Target announced in the 1 st Lactalis Ingredients CSR Report	Target announced in this 2nd report	Comments
Responsible for the planet	% ISO 14001 certified factories			0%		100% ▶ 2024	
	T of CO ₂ per tonne produced GRI 305-1 (Direct greenhouse gas emissions: Scope 1)	0.53	0.47	0.42	-10% (= 0.48) ▶ 2025		◀ Lactalis Ingredients contributes to achieving the Group's carbon footprint goals.
	GHG SCOPE 1&2 excluding fugitive and mobile emissions (T CO ₂ eq)	334,763	323,031	305,78			◀ Energy consumption has been shifted to sources that emit less greenhouse gas.
	COD leaving water treatment plant (kg per tonne produced)	0.43	0.37	0.36			◀ Water treatment plant renovation and optimisation work at the Petit Fayt and Rouvroy sites.
	Water consumption per tonne produced (m ³)	11.16	10	10.2	-5% (=10.6) ▶ 2025	-10% ▶ 2025	◀ Work on reducing water consumption at the Bozzolo and Verdun sites.
	"CAP sur l'Avenir" compliance rate - Animal welfare	96.80%	96.70%	96.70%			
	"CAP sur l'Avenir" compliance rate - environment	94.77%	95.18%	95.52%			The Lactalis Group formalised its Animal welfare policy at the beginning of 2022. Dairy technicians will be trained once every three years, including reputable external training.
	Training technicians in animal welfare			NA		100% ▶ 2023	◀
	Assessment of direct volumes on animal welfare			NA		100% ▶ 2025	◀ Assessment once every three years as part of the Lactalis Animal Welfare Assessment Programme, which will be established by the end of 2022 in collaboration with approved external third parties such as universities and NGOs.
	Routine tail docking			NA		0 ▶ 2022	
	Routine dehorning			NA		0 ▶ 2025	
Responsible for increasingly healthy nutrition for all	% FSSC 22000 certified food factories	80%	80%	93%	100% ▶ 2025	100% ▶ 2025	◀ Two new factories certified in 2021 (Tres de Maio and Verdun) Only the Ravensburg factory in Germany is not yet certified.
	% of analysed products based on the FIC regulation			NA		100% ▶ 2023	
Responsible for our people	Apprenticeships/ internships converted into jobs	60%	60%	60%			◀ Lactalis Ingredients is committed to training students with the goal of integrating them into the Group.
	Engagement rate	76%	NA	64%	78% ▶ 2022	Kom Ferry ISO standard (64% in 2021)	◀ Following a change of service provider, the scope of the survey was broadened, and a "Neutral" satisfaction position was introduced, which prevents the over-emphasis of approval positions. These two changes resulted in an average standard deviation of 12 points compared to the 2019 survey. When this deviation is lower, scores tend to rise, when it is higher, they tend to fall. Our engagement rate therefore remained stable between 2019 and 2021
	Workplace well-being	73.80%	NA	67%	75% ▶ 2025	75% ▶ 2025	◀ This indicator also comes from the managerial survey and was therefore affected by the change of service provider. Considering the average standard deviation of 12 points compared to the 2019 survey, the work well-being indicator has improved.
	Number of in-house instructors	56	60	60	60 ▶ 2022	Stable	◀ 40% of training sessions are taught by in-house instructors. We need to ensure the renewal and professionalisation of these 60 internal trainers.
	Severity rate	0.49	0.64	0.77			◀
	Frequency rate	35.7	35.9	38.4		19 ▶ 2024	◀ Impact of the health crisis on our organisations.
	Job Safety Visit (JSV)	559 = 92% of the target	5,783 = 106% of the target	3,600 JSV	2/manager/month	2/employee/year	◀ We have adjusted the target: a JSV for each employee will take place twice a year, whereas previously the target was for each manager to do two JSVs per year. This places the employee firmly at the centre of the process.

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