

A photograph of three children sitting on a white blanket in a field of tall grass. On the left, a young boy in a white t-shirt and yellow pants is drinking from a glass of milk and holding a cookie. In the center, a young girl in a floral dress is also drinking from a glass of milk. On the right, another young girl in a floral dress is drinking from a glass of milk and holding a cookie. The scene is bathed in warm, golden light, suggesting late afternoon or early morning. A large blue curved graphic element is at the bottom of the image.

# Sustainability Report 2023



*Nurturing the future*



# CONTENT

EDITORIAL FROM EMMANUEL BESNIER	2	4. OFFERING HEALTHY, TASTY AND ACCESSIBLE PRODUCTS	38
1. PRESENTATION OF LACTALIS	4	4.1 Making food quality and safety an absolute priority	39
2. AN INTEGRATED APPROACH ENSURING THE SUSTAINABILITY OF THE COMPANY'S ACTIONS	8	4.2 Promoting a healthy and balanced diet	44
2.1 Strategic pillars and outlook	9	5. PROTECTING THE PLANET AND ITS RESOURCES	48
2.2 Lactalis business model	10	5.1 Industrial environmental strategy	49
2.3 CSR vision and strategy: uniting around shared commitments	12	5.2 Climate action	52
2.4 Main CSR challenges and risks	15	5.3 Fighting against deforestation	61
2.5 Guaranteeing fair practices	17	5.4 Reducing the water footprint of the Group's products	65
2.6 Building a positive chain of responsibility with suppliers	20	5.5 Promoting the circular economy	67
3. COMMITTING TO PEOPLE AND TERRITORIES	22	5.6 Caring for Animals all along our value chain	71
3.1 Guaranteeing employee Health and Safety	23	6. VIGILANCE PLAN 2023	78
3.2 Commitment to employees	25	7. METHODOLOGICAL NOTE	96
3.3 Strengthening rural communities	33	8. CROSS-REFERENCE TABLES	104
		9. VERIFICATION BY AN INDEPENDENT THIRD PARTY	108

# EDITORIAL



2023 has set worrying climate, environmental and social records: for example, it was the hottest year since the pre-industrial era. We note the increase in energy prices, extreme weather events and the terrible earthquake in Turkey that impacted our employees and our activities.

These events have strengthened our commitment to improving the impact of our products and supporting communities. Dairy products are essential to our diet. In addition to being healthy, tasty and natural, we must also improve their environmental impact. This is what we are working towards.

Since 2019, to be able to implement credible commitments, we have established working groups and thematic Strategy Committees that have defined roadmaps for our three priority areas:

- the fight against climate change;
- the circularity of packaging;
- animal welfare.

We have made the fight against climate change the priority among our societal commitments.

Two years ago, we committed to aligning the trajectory for reducing our greenhouse gas emissions with the recommendations of the Science Based Targets initiative (SBTi). We started by defining emission reduction targets for our direct activities (scopes 1 and 2). We want to reduce these emissions by at least 25% by 2025 and at least 50% by 2033.

In 2023, we continued our efforts to analyze our main sources of indirect emissions (scope 3) and identify potential solutions. To do this, we have worked across our entire value chain, particularly with our dairy producers and our suppliers.

We have set up several industrial and logistics projects that have enabled us to significantly reduce our emissions, such as:

- biomass projects at our French sites in Craon and Mayenne;
- the installation of several thousand square meters of solar panels in Villarobledo in Spain, Longa Vida in Portugal and Verdun in France;
- programs to replace road transport by rail, as in Canada, for example.

Aware that we depend on the services provided by forest ecosystems for certain raw materials, we have included the fight against deforestation in our climate strategy. In September 2023, we committed to ending deforestation potentially caused by soybeans, palm oil, virgin paper, fuelwood, coffee and cocoa, right across our value chain by the end of 2025.

All of these objectives set out the trajectory that will enable us to contribute to achieving carbon neutrality by 2050.

This climate roadmap was submitted to SBTi for approval, a guarantee of the credibility of our approach.

All these commitments are fully in line with our strategic plan to perpetuate the group's development within the framework of profitable and responsible growth. As a world leader, we are determined to lead the entire sector in this dynamic. From farmer or producer to consumer, each link will have to make its contribution. For our part, each year we devote a large and growing proportion of investments to this area. We will remain committed to continuing the transformation of our production models.

**Emmanuel Besnier,**  
CEO of Lactalis





**Agnès Baudet**

Group General Manager  
for Quality, CSR & Crisis



**Thierry Clément**

Chief Operating Officer

### Why is it necessary to reconcile economic performance with our environment?

**A.B.:** We are convinced that the success of our company is based on our economic performance of course, but also on our performance in terms of social and environmental responsibility. Indeed, among other things, our business depends on both Nature and People which make up our group and our value chain.

Economic, Environmental and Social issues do not conflict: there is no sustainability without economic performance. And economic performance without sustainability has no future.

Therefore, it is the actions that we take today in response to ESG challenges that will ensure the sustainability and success of our company.

Integrating environmental and social concerns into the manufacturing process of our products encourages us to reinvent ourselves and innovate, which in turn enables us to increase our performance and competitiveness.

With this in mind, we have defined and deployed both ambitious and pragmatic policies by choosing key topics for our activity: climate change, packaging circularity, and animal welfare.

**T.C.:** The economic performance of companies and the preservation of our natural ecosystem are intrinsically linked. Our current economic model depends on the availability and quality of our natural resources such as water, air and biodiversity.

The preservation of our environment is therefore imperative to guarantee the sustainability of our activities. The Covid-19 crisis, rising inflation, and surging energy prices are a constant reminder that we need to improve our resilience to unforeseen events.

This is why we have bolstered our efforts to decarbonize our value chain in recent years. These efforts require resources that only our economic performance will be able to finance.

### What were the major initiatives undertaken by Lactalis in 2023 to achieve this?

**T.C.:** This year, we unveiled our “Nurture the future” purpose at the 90<sup>th</sup> anniversary of Lactalis.

This purpose is a testament to the group’s desire to integrate sustainability into its model. As the world’s leading dairy company, it is important for us to contribute to intelligence and collective effort.

This purpose is the result of a joint project that brings together employees, partners, and community players. Listening to our stakeholders and joining forces for a sustainable future will make us stronger.

Our Sustainability Report highlights our actions, the strengthening of our policies and action plans, but above all the commitment of our employees.

**A.B.:** Our mission is to offer consumers healthy, tasty and accessible products that bring people together. We are committed to transforming our activities to make them more responsible and respectful of the environment.

All our CSR initiatives contribute to limiting the impact of our activities and to achieving carbon neutrality by 2050 in particular.

In 2023, we strengthened our commitment to combat global warming and expanded our carbon roadmap. Using the SBTi framework, we defined new milestones:

- by 2025, Lactalis undertakes to end deforestation caused by its commodities across its entire value chain;
- contribute to achieving carbon neutrality by 2050 by involving the entire value chain (scopes 1, 2, and 3).

As part of a continuous improvement strategy, we have also published our Animal Welfare Progress Report and our first Sustainability Report.

At the end of 2023, we began work on the CSRD, which represents an opportunity for us to carry out an in-depth analysis of our challenges and integrate them into our CSR approach.

Our commitment is also reflected in the absolute quality of our products. In 2023, we continued to roll out our Quality strategy “Act for Quality” across the group.

Finally, we are working to improve the well-being at work of our employees, and we support our partners and local communities in the various countries where we operate.

For several months we have been working on key issues such as water management, biodiversity and regenerative agriculture. It is now essential to continue our efforts.

All these ambitions and these initial results are the first steps in our strategy, and are essential for our company, the planet and all the ecosystems we interact with. All our teams around the world are working on these issues with conviction and professionalism, and I would like to thank them warmly.

**T.C.:** We are determined to continue our transformation efforts in 2024 and we would like to thank all of our employees who are helping to nurture a responsible future!

# 1. PRESENTATION OF LACTALIS



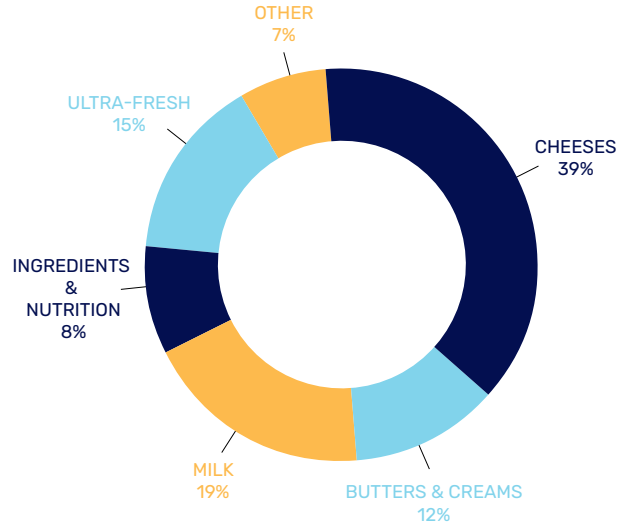
## 1. PRESENTATION OF LACTALIS

Created in 1933 by André Besnier in Laval, Lactalis has been a family business for three generations. Lactalis is developing its activities to respond to its mission: to offer healthy, tasty, accessible products every day that bring us closer together. Driven by a passion for Dairy, Lactalis strives to cultivate dairy know-how all over the world, as well as a wide range of tastes and products with high nutritional value. Lactalis intends to preserve, promote and share these with as many people as possible.

Lactalis has been developing dairy and cheese know-how since the company was founded, strengthening this expertise as it has grown. It offers consumers a wide range of dairy products in all categories: cheeses, fluid milk, yogurts, ultra-fresh dairy products, butters and creams, powdered formula and milk for infants and adults, clinical nutrition products and dairy ingredients.

Lactalis collects more than 22 billion liters of raw milk per year from 460,000 farmers. Processing is carried out at 270 production sites located in 51 countries. Lactalis has 85,500 employees worldwide. Lactalis generated revenue of €29.5 billion in 2023.

### Breakdown of consolidated revenue by category



**€29.5** billion  
in revenue

**22.6** billion liters  
of milk collected

**+4.3%**  
revenue growth



**No. 1**

- Global dairy group
- Global group in the cheese market
- Global group in butter and cream
- Global player in PDOs and raw milk cheeses
- French agrifood group



**No. 2**

- Global group in the ultra-fresh dairy products market
- Global group in the fluid milk market



**No. 10**

Global group in the food market

### Breakdown of consolidated revenue by geographical area



### In 2023, Lactalis' activity was also marked by several acquisitions:

#### Ambrosi in Italy

Specializing in the manufacture and marketing of Italian hard cheeses such as Grana Padano or Parmigiano Reggiano, Ambrosi is mainly based in Italy, where it carries out half of its business activity. The Italian company also operates in France, its second largest market, and has subsidiaries in England and the United States. This acquisition will allow Lactalis to consolidate its leading position in the PDO cheeses segment.

#### Hawkrige Farmhouse Cheese in the United Kingdom

This company is based in the United Kingdom and sells dairy products, but also cold meats and specialized food products. The arrival of Hawkrige will enable Lactalis to expand its distribution network for its ranges of artisanal cheeses and delicatessen products.

#### Dairy Partners Americas in Brazil

DPA (Dairy Partners Americas) is a joint venture created by Fonterra and Nestlé to manage fresh produce in Brazil. The agreement provides for the takeover of the Chambinho, Chamyto and Chandelle brands, as well as a license for the use of Nestlé brands in the chilled dairy products segment. DPA is the second largest ultra-fresh player in Brazil.

#### Marie Morin Canada in Canada

Founded 20 years ago in Montreal, the Marie Morin business in Canada is based on the manufacture of high-end, oven-baked desserts. With this addition, Lactalis Canada enters the desserts segments within the Canadian and American markets, in addition to its ranges of cheeses, yogurts and fluid milks.



1. PRESENTATION OF LACTALIS

Our areas of action	Indicator name	Document reference	2022 Results	2023 Results <sup>(1)</sup>	Progress
<b>COMMITTING TO PEOPLE AND TERRITORIES</b>					
Attracting, retaining and developing talent	Employee engagement rate	Page 29	66%	<b>66%</b>	⊖
	Internal promotion rate	Page 29	68%	<b>69%</b>	↗
Promoting diversity	% of women in leadership positions	Page 30	26.7%	<b>28,2%</b>	↗
Promoting social dialog	% of HR representatives trained in the "Lactalis Labor and Employee Relations Way"	Page 32	60.6%	<b>67%</b>	↗
<b>OFFERING HEALTHY, TASTY AND AFFORDABLE PRODUCTS</b>					
Offering healthy products	% of industrial activities certified according to at least 1 of the 5 ISO 22000, FSSC 22000, IFS, BRC and SQF standards	Page 41	83%	<b>85%</b>	↗
<b>PROTECTING THE PLANET AND ITS RESOURCES</b>					
Fighting climate change	% reduction in greenhouse gases on scopes 1 and 2 since 2019	Page 54	-8.2%	<b>-11.7%</b>	↘
Preserving biodiversity	% of volumes of virgin paper/cardboard covered by sustainable certification	Page 62	82.7%	<b>89.8%</b>	↗
	% of purchased volumes of palm oil and derivatives covered by sustainable certification	Page 64	83.3%	<b>87.2%</b>	↗
Promoting the circular economy	Percentage of recycled material in our packaging	Page 68	31.5%	<b>31.3%</b>	↘
	Metric tons of PVC in packaging	Page 68	803 t	<b>616 t</b>	↘
	% of packaging recyclable by design	Page 68	82.5%	<b>83.8%</b>	↗
Ensuring animal welfare	% of dairy technicians in the 8 pilot countries regularly trained in animal welfare using the CowSignals® method (at least once every 3 years)	Page 75	/	<b>99%</b>	
	% of direct annual volume of collected raw milk in the 8 pilot countries coming from partnering farms regularly assessed on animal welfare, according to the Lactalis internal assessment method (at least once every 3 years)	Page 75	/	<b>41%</b>	
	% of annual volume of purchased shell eggs worldwide coming from cage-free systems	Page 76	100%	<b>100%</b>	⊖
	% of annual volume of purchased egg products worldwide coming from cage-free systems	Page 76	92.31%	<b>91.85%</b>	↘

1) See scope in the methodological note.

## 2. AN INTEGRATED APPROACH ENSURING THE SUSTAINABILITY OF THE COMPANY'S ACTIONS



## 2.1 STRATEGIC PILLARS AND OUTLOOK

Lactalis seeks to offer the pleasure and nutritional benefits of dairy products to as many people as possible. The dairy sector also offers prospects for development around which Lactalis intends to mobilize its talent and stakeholders for profitable and responsible growth. These elements have structured the definition of Lactalis' corporate project for 2033, the centenary year of its creation. It is divided into four pillars: people, products, performance and the planet.

### 2.1.1 CONSUMPTION OF DAIRY PRODUCTS WORLDWIDE

Dairy products enjoy a positive image around the world, particularly in emerging countries, where their consumption is essential to providing the population with essential nutrients at an affordable cost. The main categories each have their own image: nutrition and health for milk; pleasure and savoir-faire for cheese; and taste and enjoyment for chilled dairy products.

In more mature countries with very high consumption of dairy products, the situation is more contrasted due to questions surrounding the environmental impact of the sector, animal welfare and health. In these markets, certain plant-based product segments have expanded in the past. Lactalis remains convinced that dairy products are a fundamental part of a healthy and sustainable diet (for all ages), and that there is no plant-based nutritional alternative to dairy products. Lactalis believes that dairy and plant-based products are complementary and each have their own place as part of a balanced diet.

### 2.1.2 GROWTH DRIVERS AND OPPORTUNITIES

The global dairy market has three main growth drivers over the medium and long term:

1. the increase in the world's population:

The dairy products market is expected to continue to grow thanks to the increase in the global population, by an estimated 11% by 2033, i.e. an additional 873 million people. 55% of this population will be in Africa and 35% in Asia.

By combining the increase in population and per capita consumption, the dairy products market will continue its dynamic in terms of volume, with an average annual increase of close to 2%, mainly in emerging countries (particularly India, Pakistan, Brazil, and African countries); Global milk production is therefore expected to grow by 1.5% per year over the next 10 years.

2. the increase in market value:

By 2033, the dairy products market is expected to increase in value by more than 4%. However, it is difficult to quantify the impact of current inflation levels on this valuation.

3. the emergence of new consumer trends:

The coming years will see the emergence of new consumer trends with growth in cheese, butter and ultra-fresh. These new trends are generated by significant changes in the structure of the population. For example the growing proportion of seniors will require an expanded offering of adapted recipes to meet their needs for key nutrients. The increase in the number of singles and urban dwellers will change the offering and distribution channels.



## 2.2 LACTALIS BUSINESS MODEL

### CREATING VALUE FOR ALL SINCE 1933, WITH A HANDS-ON APPROACH

#### ◀◀ NATURAL RESOURCES

##### Employees

Passionate women and men, recognized for their expertise, with a key role in rural development

**85,500 employees**

##### Iconic brands

A unique portfolio of iconic and historic international and local brands. Brands synonymous with quality, taste, pleasure and sharing

**Over 250 brands**

**(of which 31 with revenue > €100 million)**

##### Purchased goods & services

A close relationship with our global and local suppliers and farmers

**22.6 billion liters of milk collected**

##### Natural resources

A resource use strategy based on the principles of sobriety, efficiency and transition

**270 production sites**

##### Operations & innovation

Robust quality processes. An industrial DNA preserving and transmitting world dairy cultures and know-how. Operations with local positive socio-economic impact. An innovation strategy for our consumers and to reduce our environmental impacts

**World leader in PDOs (38)**

##### Sales channels

An omni-channel sales strategy, sharing dairy cultures with local & export customers

##### Family shareholding

A family shareholding ensuring stability, an agile entrepreneurial spirit, and a long-term strategy

**100% of the shareholding held by the founding family**

#### ◀◀ MISSION

**A family company offering healthy, tasty and accessible products that bring us closer together every day**



#### ◀◀ VALUES

##### Ambition

Setting higher goals in the daily management of the business, and continually developing one's professional and individual capabilities

##### Commitment

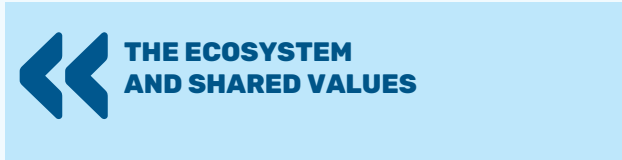
Showing true entrepreneurship, both individually and collectively. Being reliable, accountable and loyal

##### Simplicity

Acting with transparency, pragmatism and an open mind, while working effectively and being results-oriented

## AMBITION

### PROFITABLE AND RESPONSIBLE GROWTH



#### THE ECOSYSTEM AND SHARED VALUES

##### Employees

A safe, caring and attractive working environment, a demanding health and safety policy, social dialogue, competitive salaries and benefits, and a talent development policy

##### Consumers & Customers

A Quality organization ensuring food safety. A wide range of healthy, tasty and accessible dairy products, mostly made of milk. Helping consumers to adopt balanced diets worldwide *via* innovative sales channels and services

##### Industry

A leader engaged with national dairy federations to collectively develop qualitative and sustainable standards, and shape the future of our industry

##### Farmers

A close and mostly direct relationship with 460,000 farmers in 47 countries. Technical advice for a sustainable production of quality milk. 650+ intermediate milk collection centers in remote rural areas

##### Suppliers

A ripple effect for the activity of global and local suppliers through the group's international operations, and the exploration of partnerships favorable to innovation

##### Environment

Resource-efficient processes, contributing to our mission to feed the world with sustainable nutrition



#### MAIN AMBITIONS

##### For our activities

**Economically profitable** activities, favoring a **continuous development** of our local communities and territories

##### For our employees

**Zero** work-related accident  
**Zero** occupational disease  
 Managerial survey in **50 countries**  
**100% selected HR professionals trained** on the Lactalis Labor and Employee Relations Way

##### For our consumers

**100% of packaging** will bear waste management information by 2025 <sup>(1)</sup>  
**100% of our industrial activities** will be certified according to GFSI or ISO 22000 standards <sup>(2)</sup> by 2026

##### For our partners

Increased **dialogue** and **partnerships** with our stakeholders

##### For the Planet

At least **25% less GHG emissions** <sup>(3)</sup> by 2025 and at least **50% less** by 2033 (scope 1 & 2)  
**Carbon Net Zero** by 2050 <sup>(4)</sup>  
**Zero deforestation** by the end of 2025.  
 100% of packaging eco-designed by 2025 <sup>(5)</sup>  
 Minimum **30% recycled materials** in our packaging <sup>(6)</sup>  
**100% of packaging recyclable by design** by 2025 <sup>(7)</sup>  
**100% of packaging recyclable in practice** by 2033 <sup>(8)</sup>  
**100% of direct annual volume of collected raw milk coming** from partnering farms assessed on animal welfare by 2025  
**100% of our dairy technicians trained** on animal welfare by the end of 2023 <sup>(9)</sup>

1) Ambition on a set of 23 countries accounting for 85% of Lactalis group revenue in 2019. All acquisitions since December 2019 excluded at this stage.  
 2) Certification to at least 1 of the 5 ISO 22000, FSSC 22000, IFS, BRC, SQF standards.  
 3) Greenhouse gases.  
 4) Contribute to the achievement of carbon neutrality at group level.  
 5) Ambition on a set of 23 countries accounting for 85% of Lactalis group revenue in 2019. All acquisitions since December 2019 excluded at this stage.  
 6) Ambition at Group consolidated level.  
 7) Ambition on a set of 23 countries accounting for 85% of Lactalis group revenue in 2019. All acquisitions since December 2019 excluded at this stage.  
 8) Ambition for countries with an Extended Producer Responsibility EPR scheme, amid a set of 23 countries accounting for 85% of Lactalis group revenue in 2019. All acquisitions since December 2019 excluded at this stage.  
 9) The ambitions apply to our operations concerning direct volumes of raw cow's milk collected by Lactalis in eight pilot countries representing approximately 42% of Lactalis' total raw milk collection worldwide. For volumes assessment on animal welfare: by 2026 in Brazil.

## 2.3 CSR VISION AND STRATEGY: UNITING AROUND SHARED COMMITMENTS

The Lactalis Group's CSR strategy is part of the company's strategy of profitable and responsible growth. Creating value for the company and its stakeholders is at the heart of this project, which should support the necessary transition of production and distribution systems.

For Lactalis, the specificities of dairy products enable to be part of the solution for sustainable nutrition. Lactalis is thus working to reduce its impacts on the environment and the climate throughout its value chain. Its efforts therefore also cover water management, waste treatment and the use of resources. As a leader in the dairy sector, Lactalis wishes to take advantage of its global positioning to accelerate this sectoral movement. The development of women and men, and the communities and regions in which the group operates, are also key to the sustainability of its activities.

Lactalis' CSR roadmap contains numerous topics and is based on the United Nations Sustainable Development Goals and the 10 fundamental principles of the Global Compact, of which Lactalis is a participant.

### OUR PURPOSE IN ACTION "NURTURE THE FUTURE"

On the Group's 90<sup>th</sup> anniversary, Lactalis unveiled its purpose in action of "Nurture the future".

By setting this ambition for itself, Lactalis is clarifying the role it wants to play in the world. The company is opting to nurture a responsible future by committing to offering the best, locally-sourced dairy products to help everyone grow.

Since 1933, Lactalis has made its choice of dairy products. Based on a pioneering intuition, the company decided to organize the collection of the milk, its processing and its packaging, and created a reliable and efficient model that has enabled as many people as possible to enjoy the unparalleled benefits of dairy products.

By continuing to innovate from generation to generation, Lactalis has developed, refined and shared its expert know-how to develop dairy traditions and bring into homes around the world, through a unique portfolio of brands, which is deeply rooted in the daily lives of consumers.

Faced with increasingly critical demographic, health and environmental issues, Lactalis is convinced that dairy products have a role to play in current and future diets. As the world leader and a leading expert, Lactalis has a responsibility to nurture the future.

### 2.3.1 CSR GOVERNANCE



## 2. AN INTEGRATED APPROACH ENSURING THE SUSTAINABILITY OF THE COMPANY'S ACTIONS

In accordance with its model based on the autonomy of its subsidiaries, Lactalis wishes to maintain a local CSR approach, mainly driven by field initiatives. However, in order to drive a convergence of efforts on shared challenges and achieve its ambitious objectives, Lactalis has developed a CSR governance at the level of the main links of its activities and decision-making bodies:

- **the CEO of Lactalis group** is the company's highest decision-making body on CSR strategy. He has been involved at all stages of the selection of priority sustainability matters (climate, packaging, animal welfare), and validates new issues for consideration and the strategy. He is updated on a monthly basis on the progress of projects and receives a comprehensive half-yearly update on the CSR strategy, in which the Chief Operating Officer is involved;
- **the Group Management Committee** is the company's second-highest decision-making body on the CSR strategy. It discusses and validates the strategy proposals for each issue. It is informed every six months of the implementation of the CSR roadmaps for each issue and the associated performance;
- **the General Manager for CSR, Quality and Crises Management**, reports directly to the President of Lactalis and is in charge of proposing a CSR strategy for Lactalis, in collaboration with the Group CSR Department.
- **the Group CSR Department:**
  - coordinates the implementation of the group's CSR strategy and its update with the Expert Departments,
  - ensures the consistency of methods and reporting processes, the deployment of cross-functional tools and the monitoring of performance indicators,
  - coordinates the entire non-financial information and performance auditing process,
  - manages an international network of internal CSR officers,
  - ensures and develops dialogue and transparency with internal and external stakeholders. In particular, it is responsible for developing and facilitating an internal CSR culture, notably through training and the organization of events and webinars.

For each CSR issue, the Group's CSR Department leads or co-leads the Corporate working committees, which are often multifunctional. For each issue:

- **an operational working group** establishes forward-looking thinking and develops a proposal for strategy, policy, action plans and reporting methods, both at consolidated group level and by country. It brings together members of the Group CSR Department and technical experts. In line with Lactalis' strong local roots, the working groups brings together technical experts from each country;
- **a Strategic Committee** discusses and validates these proposals and submits them to the Group Management Committee for approval. It is made up of the working group's coordinators, the CSR, Quality and Crisis management General Manager and the General Managers of the Expert Departments involved.

In particular, Strategic Committees have been set up for the group's priority issues: Climate, Responsible Packaging, Animal Welfare.

The Group CSR Department coordinates and leads **an international network** of CSR referents in the main countries and subsidiaries. 23 countries are represented in this network; they represent the bulk of the Lactalis Group's activities and its impacts by issue<sup>(1)</sup>. The CSR referents are responsible locally for:

- establishing CSR governance involving the local General Manager and his or her Management Committee;
- developing a CSR strategy tailored to the local context and aligned with the group's commitments, in collaboration with the General Manager and the Codir of the country or the division;
- coordinating the implementation of roadmaps by issue and the ensuring reporting;
- developing and facilitating an internal CSR culture.

1) These 23 countries represented 85% of Lactalis group revenue in 2019.

### 2.3.3 STAKEHOLDERS

Lactalis maintains close, honest and transparent dialogue with its stakeholders, an essential condition for the conduct of its activities and the achievement of its objectives. As such, Lactalis has involved them in the establishment of its materiality matrix.

Lactalis is committed to adapting to the new expectations of consumers, customers, employees, suppliers and partnering farmers, as well as changes in the political and regulatory environment, and society in general. It thus intends to fully play its role as sector leader in the sustainable transition of food systems.

Stakeholder	Value created
<b>Employees</b>	Lactalis offers its employees a safe, caring and attractive working environment, through a strict health & safety policy, social dialogue, competitive salaries and benefits, and a policy and actions to encourage the development of talent.
<b>Consumers</b>	Lactalis offers a wide range of healthy, tasty and accessible dairy products, enabling everyone to enjoy their nutritional benefits. Dairy products are a major source of calcium, high-quality protein and a unique range of fatty acids, as well as vitamins and minerals. That is why dairy products are recommended by renowned institutions as part of a complete diet, such as the United Nations FAO through the "Rotterdam Declaration on Dairy Products" (2016).
<b>Customers</b>	The group's omni-channel strategy, the multiplicity of its categories of dairy products, formats and applications enables its mass-market, specialist retail, drive-through, foodservice, e-commerce and business-to-business customers to offer the nutritional benefits of dairy products to as many people as possible.
<b>Industry</b>	Lactalis is a major player in the global dairy sector. As such, in most of the countries in which it operates, it is involved in various federal working and consultation bodies (EDA - European Dairy Association, IDF - International Dairy Federation, etc.) that seek to develop demanding, qualitative and sustainable production standards. Lactalis is committed to collectively preparing for the future of the industry.
<b>Farmers</b>	Lactalis works closely with nearly 460,000 partnering farmers in nearly 50 countries. They are its main suppliers of raw materials. By favoring a direct relationship, Lactalis supports them with technical advice in the development of quality production that is more respectful of the environment.
<b>Suppliers</b>	Lactalis participates in the development of its global and local suppliers through its international presence and explores partnerships that promote innovation.



## 2.4 MAIN CSR CHALLENGES AND RISKS

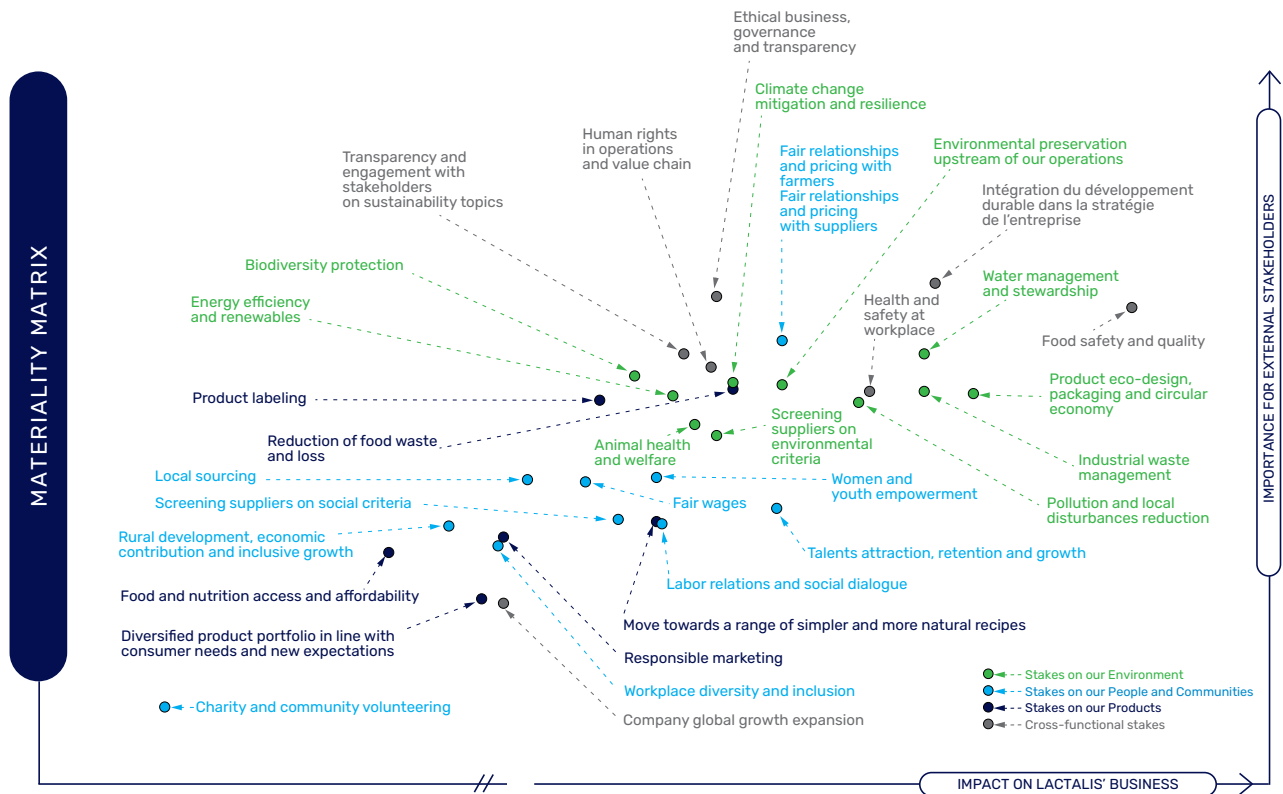
### 2.4.1 MATERIALITY MATRIX AND IDENTIFICATION OF THE MAIN CHALLENGES

To determine its CSR approach and strategy, Lactalis combines the risk analysis prepared by the Business Lines (see section 2.4.2 / Identifying the main CSR risks) and its materiality analysis. Lactalis wanted to build this approach with its stakeholders: in 2020, 175 internal (30%) and external (70%) stakeholders were consulted.

A broad range of partners had to rank the relative importance of a selection of 33 CSR topics, pointing at those on which actions and commitments of Lactalis should have most impact. The results were presented to the group's Senior Management, and were used to draft the group's CSR roadmap, based on three immediate priorities:

- climate and reducing the carbon footprint;
- the circular economy and responsible packaging;
- animal welfare.

Lactalis group materiality matrix



In 2023, Lactalis launched a project to update this matrix, via a double materiality study, in anticipation of future CSRD (Corporate Sustainability Reporting Directive) requests. Lactalis chose an external expert firm to assist with this project. This work will continue in 2024, and will allow the group to again seek opinions from its stakeholders.

## 2.4.2 IDENTIFYING THE MAIN CSR RISKS

The CSR risks related to the priority issues and those that could impact human rights and fundamental freedoms, personal Health and Safety, and the environment have been identified by the group's Business Lines.

The main CSR risks are as follows:

Priority issues*	Main CSR risks for Lactalis
<b>Health &amp; Safety</b>	The Health and Safety of employees is recognized as a human right and is also part of the UN Sustainable Development Goals. Failure to protect Health and Safety at work would expose Lactalis to risks that could impact its employees, its business, its results and its reputation.
<b>Human resources and social issues</b>	The employees of the Lactalis group, through all their missions, contribute to the creation of value and the development of the company. In the group's own activities, non-compliance with the group's Human Resources policies could lead to situations of discrimination or non-respect of freedom of association. The preservation and growth of human capital must be ensured through the implementation of a stimulating work environment, ongoing social dialogue and a significant investment in personal and skills development. Respect for the principles of diversity, equity and inclusion allows each employee to best express their skills and promotes personal development. These human resources elements are designed to maintain the group's attractiveness and foster employee loyalty. In addition, through their supplies, players in the value chains of certain raw materials could resort to practices that violate human rights. This constitutes a risk for Lactalis that could impact its suppliers, business and/or reputation.
<b>Food safety</b>	Any breach of food safety can pose serious health risks to consumers. At each stage of product production, a failure to comply with hygiene standards or product health controls can have serious impacts on consumers and constitutes a significant risk for Lactalis. A food safety incident is thus likely to weaken consumer and customer confidence, generate legal risks and damage the reputation of the group and its activities.
<b>Water, energy and GHG emissions (scopes 1 and 2)</b>	The group's activities may give rise to environmental risks, notably related to the use of water and energy. Water stress and climate change can impact the group's entire value chain. Failure to address environmental issues related to water, energy, and direct and indirect greenhouse gas emissions could therefore present a risk to the preservation of resources, the necessary mitigation of global warming, the group's growth, and also damage its reputation.
<b>Responsible packaging and circular economy</b>	Packaging is fundamental for preserving the strictest food quality and safety standards for dairy products, which are fragile by nature. The ways we produce and dispose of packaging result in the overconsumption of natural resources, threatening the environment and biodiversity.
<b>Biodiversity and forests</b>	The Lactalis Group's supplies of agricultural raw materials may be directly or indirectly linked to a risk of deforestation or the conversion of natural areas, having an unfavorable impact on biodiversity and ecosystems. A responsible purchasing policy and raising awareness among our upstream stakeholders must promote sustainable sourcing.
<b>Safety and sustainability of upstream milk production methods</b>	Milk is the key raw material for Lactalis' activities. While the safety of milk is a key factor in guaranteeing product quality and safety, the group's consumers and stakeholders are increasingly looking for guarantees of the sustainability of upstream processes. This focus is on practices that are more respectful of animal welfare, the environment and biodiversity. Lactalis can meet both market expectations and those of its stakeholders by developing technical advice for dairy farmers. Poor upstream dairy practices could have negative consequences on animal welfare, the environment, and consumer Health and Safety. They could also affect the company's reputation and results.

\* Actions to promote the nation-army link and to support commitment in the reserves, and actions to promote the practice of physical and sporting activities were considered as non-priority in 2023.

## 2.5 GUARANTEEING FAIR PRACTICES

### DEFINITION

In an environment characterized by uncertainty and increasing risks of all kinds, corruption, anti-competitive practices, non-compliance with data protection and international economic sanctions affect companies, restrict free competition and hamper economic development.

As a major player in the dairy industry, Lactalis has an important responsibility in conducting business properly and affirms its desire to act in accordance with the laws and regulations in force.

### GOVERNANCE

Within Legal Affairs, the Compliance Department is responsible for developing a culture of trust and integrity within the group, a central foundation on which to build a responsible value chain. It also coordinates the deployment of the group's compliance programs.

A Group Compliance Committee, composed of representatives of the Legal Affairs Department (including Compliance) and the Group Audit Department has been set up to manage and investigate reports received through the whistleblowing system. Local committees are gradually being set up within the subsidiaries to manage reports on a local basis in order to be closer to the business and to employees.

### POLICY AND ACTION PLAN

Lactalis has set up compliance programs relating to fair practices, the prevention of corruption, personal data protection and the prevention of anti-competitive practices, as well as compliance with local and international regulations.

The policies, translated into many languages, apply to all Lactalis employees, and some to its commercial partners.

These best practices are shared with employees through policies and procedures (Lact@Policies and Lact@Rules), but also through dedicated training and regular awareness-raising, particularly digital, and rolled out through an international network of Legal Directors in the subsidiaries.

For example, in Spain, Grupo Lactalis Iberia is continually working towards the highest standards of regulatory compliance and business ethics in its activities, and has obtained a number of certifications for its criminal compliance management systems, including:

- UNE 19601 Management System for Criminal Compliance (MSCC), guaranteeing the prevention of criminal offenses applicable to legal entities;
- ISO 37301 Compliance management systems, guaranteeing compliance with all criminal law regulations.

These certifications have been awarded to Grupo Lactalis Iberia, but also to Lactalis Puleva and Lactalis Forlase.

In 2022, Lactalis launched its whistleblowing system ("Lact@lert"), that enables it to handle, in strict confidentiality thanks to a secure tool, all reports of possible violations of best practices, of the group's internal rules and procedures or of applicable laws. This system has been updated in order to comply with the obligations of the European directive on the protection of whistleblowers.

In order to ensure the efficient processing of reports received through Lact@lert, the Group Compliance Committee receives and handles reports in a neutral and impartial manner. The Group Compliance Committee is covered by a strict confidentiality obligation and reports regularly to the Lactalis Group's management bodies.

RESULTS

## COMPLIANCE STATISTICS

### NUMBER OF ALERTS\*

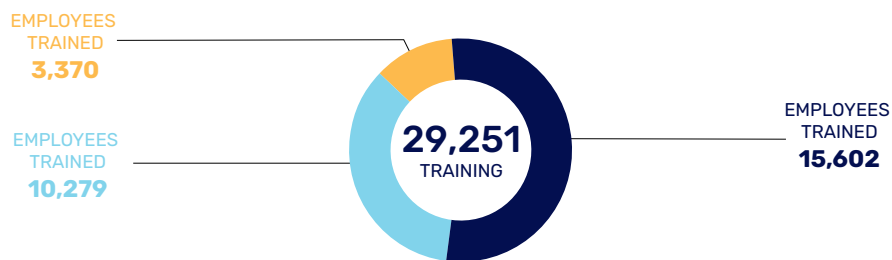


\* On a Lac@lert deployment covering €20 billion in 2022 revenue.

### NUMBER OF TRAININGS CARRIED OUT IN 2023\*



### TOTAL NUMBER OF TRAININGS 2020-2023\*



\* Mandatory digital training rolled out from 2020.

■ Anti-corruption ■ Personal data ■ Competition



**Geraldine Chevallier,**

Group Legal  
Compliance Director

### What were the major challenges of 2023 for the Compliance Department?

**G.C.:** In 2022 the Compliance Department, within Group Legal Affairs, launched its new whistleblowing platform in order to comply with its legal obligations regarding the protection of whistleblowers, anti-corruption and the duty of care.

One of the challenges, given the size of the Group and the speed of its external growth, has been to gradually deploy and install the whistleblowing platform in all the countries in which Lactalis operates.

Another priority for Compliance in 2023 was to consolidate the Export Control and Economic Sanctions compliance program, with regular awareness-raising among the relevant teams.

### How does Lactalis raise awareness of Compliance among its employees?

**G.C.:** As Lactalis is present worldwide, and has more than 85,000 employees, compliance training and awareness are a real challenge. The Compliance Department has therefore deployed digital modules that can be accessed remotely, and can be completed in several sessions. Awareness-raising modules as well as in-depth training have been created in the major areas of compliance including competition law, anti-corruption and personal data protection. These mandatory digital training courses range from 20 minutes to 2 hours, and have trained and raised awareness among more than 15,600 employees, through more than 29,250 sessions carried out individually.

## 2.6 BUILDING A POSITIVE CHAIN OF RESPONSIBILITY WITH SUPPLIERS

### DEFINITION

A transparent and responsible supply chain is essential to minimize the potential impacts of the Lactalis group beyond its direct activities, both upstream and downstream. The complexity and interconnection of global and local value chains requires the utmost vigilance to ensure compliance with the main principles of the Global Compact as well as ethical, social, environmental and climatic requirements.

Lactalis is mobilizing its entire ecosystem, and its suppliers in particular, to meet these challenges. The group is implementing a Responsible Purchasing Policy based on ethical, fair and sustainable business relationships with its partners.

### GOVERNANCE

The Group Purchasing Department is in charge of the group's Purchasing policy and directly manages commercial relationships with Lactalis' global suppliers (except milk collection suppliers). In line with the purchasing strategy defined at group level, the Area Purchasing Departments manage local suppliers of specific products and services. The Group Purchasing Department develops and deploys tools, methods and training to ensure the performance, ethics and sustainability of its activities.

The Responsible Purchasing Committee is responsible for the group's cross-functional Responsible Purchasing Policy and for the consideration of the identified priority issues. For each issue, a steering committee, made up of purchasers and representatives from the Group CSR Department, proposes a policy and an action plan and monitors their implementation in the various countries. The proposals of these committees are presented, discussed and approved by the Lactalis Group's Management Committee.

At the same time, the group's Quality team works on a daily basis with the group Purchasing team through the Purchasing Quality team and the Supplier Audit team, to ensure that each supplier complies with the group's Food Quality and Safety Policy.

### POLICY

The Responsible Purchasing Policy is a key lever of the group's CSR approach. Lactalis strives to forge honest, fair and respectful relationships with its suppliers. The group guarantees the equal treatment of existing and potential suppliers, as well as transparent and impartial selection processes based on explicit criteria.

Lactalis has formalized its Responsible Purchasing Policy through several documents:

1. the Supplier Code of Conduct.

Since 2022, Lactalis has been rolling out its Supplier Code of Conduct: this document aims to communicate Lactalis' vision and ambitions in terms of ethics and sustainability to all its suppliers (excluding dairy producers), and is based on compliance with:

- the 10 principles of the United Nations Global Compact;
- the United Nations Universal Declaration of Human Rights;
- the conventions of the International Labour Organization;
- the OECD Guidelines for Multinational Enterprises.

The Supplier Code of Conduct applies to all supplier employees, agents and subcontractors who interact with the Lactalis group on behalf of suppliers throughout the value chain.

The Supplier Code of Conduct details the conduct to be adopted with regard to the following topics:

- regulatory compliance;
- professional conduct;
- human rights employment practices;
- food quality and safety;
- the environment;
- animal welfare;
- protection of information.

This Code of Conduct is sent to suppliers, who are invited to familiarize themselves with it and adhere to the principles.

In the event of proven non-compliance by a supplier with these principles, Lactalis may decide to withdraw or delist the supplier.

A whistleblowing system is also open to third parties and reports can be made *via* the Group's website;

2. a Food Quality and Safety Charter for ingredients, dairy raw materials and packaging: by signing this Charter, suppliers undertake to accept Lactalis audits for the purpose of validating and assessing food quality and safety criteria and follow-up audits;
3. policies in specific areas: climate action and deforestation policies, animal welfare, circularity of packaging and palm oil-related policies underline Lactalis' commitments in each of these areas. To meet these commitments, the group is building a CSR dialogue with the relevant suppliers. In its specifications, the group is implementing more stringent requirements concerning the origin or certification of raw materials for certain purchasing categories.

Lactalis policies on each of these areas are described in Chapter 5. / Protecting the planet and its resources.

**ACTION PLAN**

Lactalis ensures that its purchasing activities are carried out in compliance with strict ethical and professional standards: to this end, the Purchasing teams and all employees involved in trade relations with suppliers are regularly trained in these standards.

In terms of food quality and safety, a supplier questionnaire was prepared by in-house experts to address 17 topics. The group implements measures to assess its suppliers: a dedicated team is responsible for auditing suppliers at group level. The frequency of supplier audits depends on the criticality of suppliers, determined according to food safety criteria.

Corrective actions are requested for each instance of non-compliance identified during the audits. In the event of an unsatisfactory audit result, an action plan is defined and implemented by the supplier and is monitored by the Group Supplier Audit team.

Purchasing experts carried out a mapping of CSR risks related to Lactalis' supply chains. The environmental, social and governance risks specific to its value chain were identified and assessed for all purchasing categories (except milk collection) according to:

- the significance of the risk for the product category;
- the level of risk management at Lactalis.

The level of risk was cross-referenced with the volume of purchases to determine the priority purchasing categories. For each priority purchasing category, the group defines an action plan to assess and mitigate the risk identified.

Following this risk analysis, the group defined a work schedule for the most at-risk commodities. A strategy and an action plan were launched on animal welfare (shell eggs, egg products and dairy ingredients), circularity and the use of resources for packaging, as well as the fight against deforestation. On this last topic, in 2022 the group set out an action plan on paper, cardboard and palm oil to combat deforestation. This action plan was strengthened in 2023 to cover six priority commodities by 2025 (see section 5.3 / Fighting against deforestation).

To build its approach to reducing greenhouse gas emissions from non-agricultural suppliers, a working group made up of CSR, purchasing, equipment and transport & logistics teams selected the 1,000 suppliers that contribute the most in terms of emissions, and assessed them on their maturity and climate trajectory by 2050. The objective over the coming years is to strengthen dialogue with suppliers on the subject, in order to best support them in building their climate strategy (see 5.2.5 / Non-agricultural supply chain).

In 2024, the group plans to work with the Sedex platform to strengthen its supply chain risk mapping and assess the CSR performance of its priority suppliers.



**Françoise Lançon,**  
Group Purchasing  
Director

**What is the specific role of Purchasing in Lactalis' CSR Policy?**

**FL:** As a group, we first focused our CSR approach on our direct activities by setting ourselves ambitious objectives, such as our carbon neutrality roadmap for 2050.

- our purchasing strategies include the Group CSR Policy as well as the governance of our suppliers and the way in which they are assessed;
- our Supplier Code of Conduct has been in place for all our suppliers of packaging and ingredients since the end of 2023. In 2024, we plan to cover 80% of the expenditure on indirect categories;
- our role is also to very quickly involve the various companies that join the Lactalis group into this CSR approach, and to ensure that we respect our commitments in this area. This is an opportunity to share these objectives in new ecosystems;
- identifying sources of innovation through our suppliers that will enable us to limit the company's environmental impact is also one of our priorities. Some partner suppliers have already been identified, and we are constantly on the lookout for new ideas.

**What are the challenges specific to your activities?**

**FL:** One of the major challenges for Purchasing is managing complexity, given:

- the number of suppliers in all regions;
- and the differing maturity of these issues in the countries in which our production is located.

We therefore have to almost constantly train all our buyers on this CSR approach, and how to integrate it into Purchasing performance.

Each year, we develop our sustainable purchasing policy, free of deforestation and with full and verified traceability. Finally, balancing the company's performance with the mitigation of its impacts remains the most complex and sensitive issue.

### 3. COMMITTING TO PEOPLE AND TERRITORIES





## 3.1 GUARANTEEING EMPLOYEE HEALTH AND SAFETY

### DEFINITION

Lactalis employs more than 85,000 people worldwide, and also uses temporary workers and subcontractors. These people work in various environments including in industrial environments, on tertiary and research sites and in logistics, commercial or distribution activities, which may be exposed to specific risks that could impact their health and safety. Lactalis seeks to ensure optimum working conditions for its teams, primarily through workplace safety and professional development. The company's Human Resources policy ensures that there are dedicated teams for these two areas. These teams are in regular contact with people in the field, and implement practical initiatives.

### GOVERNANCE

The Health and Safety Committee is co-chaired by the Chief Operating Officer, the Legal General Manager, the Human Resources General Manager, the Industrial General Manager, the General Manager for Purchasing, Collection, Logistics and IT and the Group Legal Affairs Director. The Committee meets quarterly and is led by the Health and Safety of People and Property Director. The Committee makes decisions on policy, ambitions and strategies. It ensures the provision of resources to ensure that the action plans defined and implemented to achieve the objectives are fully completed within the allotted deadlines.

At production sites, preventing risks related to the health and safety of people and property is an integral part of our operational excellence practices. The main production sites also have their own health and safety professionals. They work as a network at group, regional and country level to share best practices and capitalize on the experience acquired, as part of a continuous improvement process.

### POLICY

The Health and Safety Policy defined in 2022 and signed by the CEO of Lactalis underpins our commitment to this crucial issue for the vitality of our companies, by supporting our ambition to move towards zero workplace accidents and zero occupational illness.

In order to establish this culture of safety, 12 Golden Rules have been defined, describing the basic rules that must be known and applied by each employee and drawn up on the basis of situations encountered in the units. They aim to boost prevention by encouraging each person to intervene as soon as they notice a problem, and to stop work if the risk is not controlled. They apply to all members of the company, service providers and external companies, and the latter can also refer to the Rules to justify a refusal to intervene in a dangerous situation.

Lactalis wants to develop a shared perception of risk and thus contribute to developing individual and collective responsibility. Employee commitment is essential, which is why the awareness-raising and training actions implemented include various behavioral, managerial and technical aspects.

### ACTION PLAN

Faced with workplace accidents on and off-site, accidents during business travel and the dangers of natural disasters, fire or explosion, Lactalis is committed to a preventive approach for all its employees which includes the analysis, treatment and reduction of health and safety risks. This approach is based on three interdependent pillars:

- the technical pillar covers specific risks that Lactalis wishes to reduce and control. In 2024, the focus will be on dealing with machine-related risks in collaboration with the stakeholders concerned, chemical risks and risks related to explosive atmospheres;
- the behavioral pillar is an innovative approach aimed at encouraging employees to adopt preventive behaviors for themselves and their colleagues and to increase their vigilance. This approach uses behavioral science to foster commitment through managerial leadership and the active participation of all employees. In 2024, the behavioral safety program will be rolled out to areas other than France;
- the organizational pillar to ensure that risks are managed, supported and controlled thanks to a robust management system as well as skills development. In 2024, Lactalis will roll out a new dedicated health and safety information system.

Because health and safety is a long-term issue, Lactalis' vision is to enable all its employees to work in a safe and healthy workplace, to achieve their full potential and to have a positive impact on safety. The development of health and safety at Lactalis is reflected in the following detailed improvement plan:

- strengthen the health and safety knowledge, skills and capabilities of all employees;
- help all managers to lead by example in health and safety, and encourage employees to express themselves and get involved in the safety program;
- accelerate transformation through digitalization, data analysis and innovation promotion at the local level to increase the maturity of health and safety programs;
- develop and implement effective controls for high-risk activities and maintain a safe workplace for all;
- have a positive impact on all stakeholders through effective communications, such as the annual celebration of World Health and Safety Day in the Group's various countries.

### 3. COMMITTING TO PEOPLE AND TERRITORIES

The following resources are used to monitor the proper implementation of these priorities:

- each manager formalizes a health and safety target for reducing the Employee frequency rate by following the recommendations of methods and results defined by Lactalis;
- health and safety audits carried out by the Group Health and Safety Department on production sites and in warehouses. For these audits, the Group Health and Safety Department has developed a group reference framework detailing the minimum health and safety requirements, combined with an internal audit grid based on the principles of ISO 45001;
- the development of training courses for internal auditors;
- monitoring, through the roll-out of a group reporting tool (Lact@HSE) which allows for the collection, analysis and reporting of "Undesirable Events," with a particular focus on serious and potentially serious accidents. This feedback is shared via "Accident flashcards".

### RESULTS

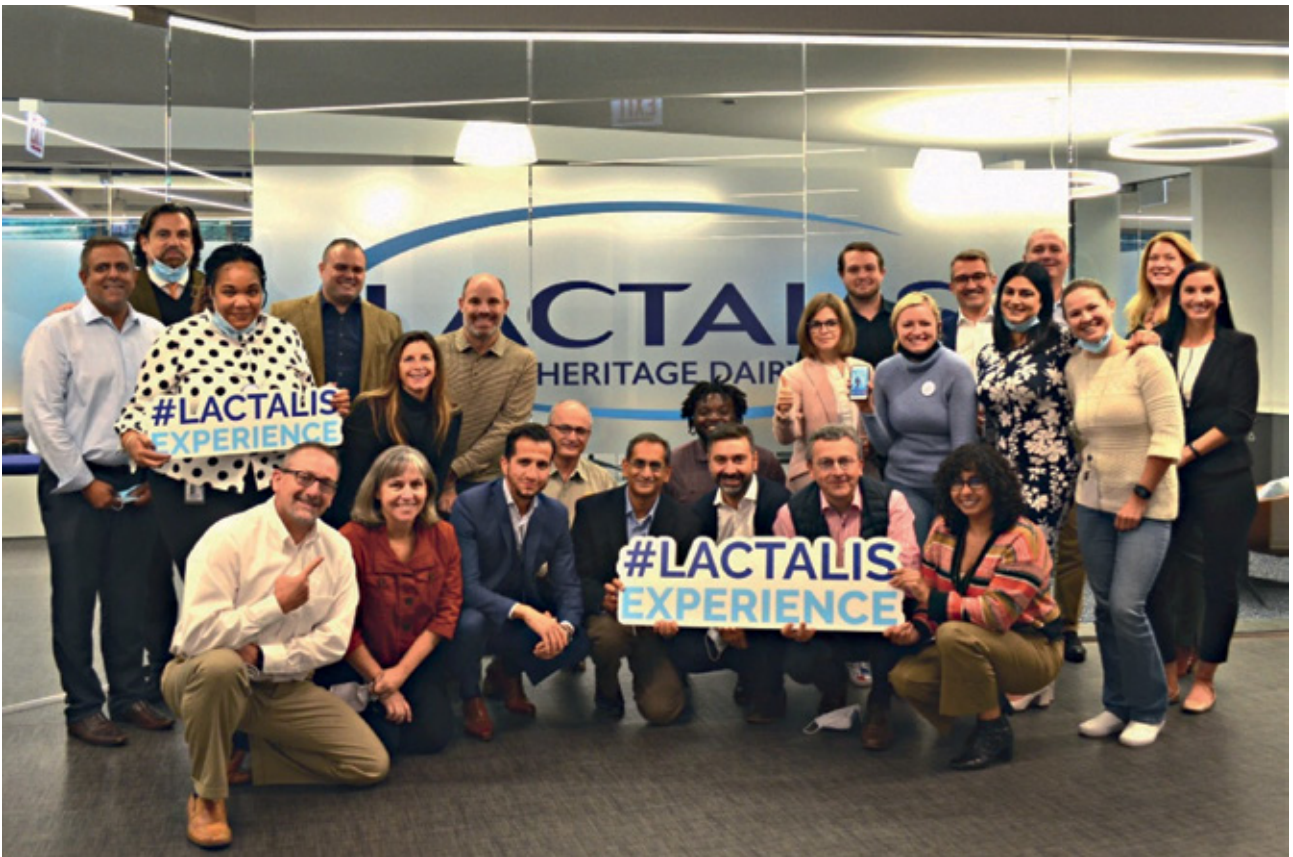
Lactalis has a target of reducing accidents by 15% per year. The benchmark indicator monitored monthly by Lactalis is the FR2, based on the following definition:

$$FR_2 = \frac{\text{Number of accidents with and without lost time (employees and temporary workers)}}{\text{Number of hours worked (employees and temporary workers)}} \times 10^6$$

In order to achieve this target, each level of management defines an annual frequency rate (FR2) reduction target of between -10% and -20% depending on the FR2 observed within their scope.

This target is applied to the employee FR1, which measures the accident with lost time frequency rate among the group's employees.

	2022	2023
Accident with lost time frequency rate for employees (FR1 employees)	8.92	7.97
Accident with and without lost time frequency rate for employees and temporary workers (FR2)	13.6	11.7
Severity rate for employees	0.46	0.43

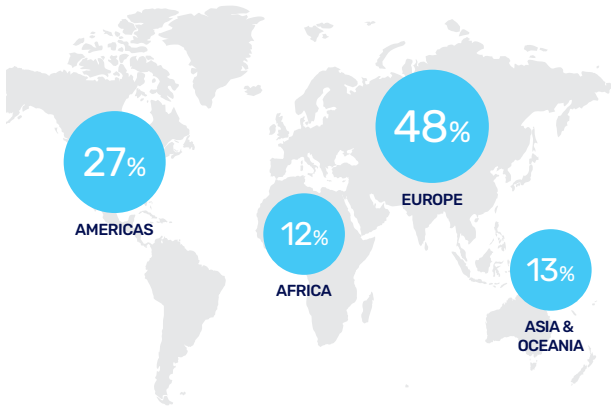


## 3.2 COMMITMENT TO EMPLOYEES

### 3.2.1 LACTALIS EMPLOYEES

#### BREAKDOWN OF THE GROUP'S WORKFORCE IN 2023

In 2023, the group had nearly 85,500 employees.



The breakdown of the workforce in the various geographical areas is as follows over the last years:

	2022	2023
Europe	48%	48%
Americas	27%	27%
Africa	13%	13%
Asia-Oceania	12%	12%

#### GOVERNANCE

Lactalis' Human Resources Department is made up of a central department, then functional departments within the regions, countries and divisions.

The Human Resources General Manager leads a central team at group level, who report directly to him/her.

A Human Resources Management Committee composed of the central Human Resources Department and a certain number of international operational and functional HRDs is in charge of validating all human resources policies and actions, and then deciding how and when to roll them out group-wide. This committee meets approximately every two to three months.

The deployment of the policies and actions, part of the three-year HR strategy known as the Long-Term Plan, is then carried out at the level of the regions, countries and divisions, with the support of the central HR team where required.

#### POLICY AND ACTION PLAN

Lactalis aims to achieve profitable and responsible growth. To achieve this objective, the group's Management Committee has defined a new strategy for the 2023-2033 period. This strategy is based on four pillars that are key issues for the company: people, products, performance and the planet. Each of these pillars includes priorities for action to achieve the growth objectives by 2033.

The first pillar of this strategy gives priority to current and future employees. They are the foundation of our performance and success, and it is thanks to them that Lactalis will be able to achieve its ambitions.

By 2033, Lactalis wants to accelerate and improve its human resources policy through the following objectives:

- promoting employee engagement;
- protecting know-how and developing the leadership model;
- preserving the "Lactalis way of doing business" (maintaining responsibilities assigned to local managers, finance and management control, which are two separate functions);
- retaining and increasing the number of resources in key functions to support the company's growth;
- developing employer attractiveness;
- developing a strategy to improve the diversity of our teams.

In this context, the Human Resources Management Committee draws up a new Long-Term HR Plan every three years, in conjunction with the Senior Management for these areas. This Long-Term HR Plan aims to:

- ensure that Human Resources priorities are in line with the group's strategic plan;
- ensure that all group subsidiaries have identical HR management principles;
- give meaning to HR actions with employees;
- and encourage different cultures to adopt shared objectives and a common language within the HR network.

The current Long-Term HR Plan covers the years 2022, 2023 and 2024. It comprises four pillars:

- attract and develop talent;
- develop our leadership;
- promote team engagement;
- improve the efficiency of our organizations.

### 3. COMMITTING TO PEOPLE AND TERRITORIES

Priority objectives are set for each of the three years in which the Long-Term Plan is implemented. The 2023 objectives are as follows:

- develop local initiatives to accelerate recruitment and reduce the resignation rate;
- maintain the internal promotion rate;
- implement action plans to improve the employee engagement rate measured in the Managerial survey;
- integrate the Lactalis Leadership Model into HR procedures;
- establish a group Diversity, Equity and Inclusion Policy;
- achieve 22,000 learners using the Learning Factory;
- implement the "Social Risk Assessment" methodology in more than 10 countries.

#### 3.2.2 ATTRACTING, RETAINING, AND DEVELOPING TALENT

##### DEFINITION

The attraction, retention and development of talent is based on the deployment of the Lactalis Employer Brand, through the #LactalisExperience program, the measurement of employee engagement, a training program for each employee and the individual monitoring of each employee by their manager.

##### Employer Brand

The exposure of the Employer Brand which is based on the group's strengths and successes increases the attractiveness of Lactalis.

The Employer Brand was implemented in 2020, and is based on three strong pillars:

- History;
- Passion;
- Expertise.

It highlights the group's identity, its DNA, and therefore what makes Lactalis a unique employer.

The Employer Brand also helps to boost the group's visibility (organization of events and recruitment days, partnerships with schools, new websites, use of social media and specialized platforms, etc.). It is an important lever for attractiveness and reflects externally what Lactalis is and what it can offer.

Joining Lactalis means joining a family group that has an international presence and a strong local presence.

Joining Lactalis also means sharing great moments with teams who are passionate about their profession, recognized for their expertise.

Joining Lactalis is an opportunity for individuals to learn and grow in their roles every day. It is also an opportunity to be part of a dynamic and continuous improvement and to benefit from a personalized career path, made possible thanks to the sustained growth that the Group is experiencing as well as the diversity of its business lines and its geographical locations.

The group's aim is to recruit the right number of new talented individuals in order to ensure the constant and sustainable development of its activities, while ensuring that its dairy expertise is passed on.

In 2023, each subsidiary was encouraged to develop new initiatives to accelerate recruitment and reduce the resignation rate. The first ceremony to award a prize for the best recruitment and retention initiatives will be held in January 2024.

##### Relations with Schools

In France, the Relations with Schools Department is a support function of the company, whose purpose is to support the French divisions in the sourcing and pre-recruitment of interns, work-study students and young graduates in order to support Lactalis' development and growth.

To carry out these missions, its role is to:

- coordinate, manage and lead relationships with 20 target schools and their students;
- effectively pre-recruit future talents, drawing on the Employer Brand;
- work collaboratively with the target schools to define actions to ensure recruitment needs;
- unite and involve business line Managers.

In 2022, in France, nearly 120 initiatives were carried out in collaboration with partner schools and with the support of business experts, ranging from participation in fora and job dating events, to testimonials from business experts, active visits to industrial sites with students from the Institut Agro de Rennes, and challenge events in schools such as the "Best Recruiter" challenge with KEDGE Business School students specializing in HR, and the "Societal and environmental challenges of a group plant" challenge with ENSAIA students.

In 2023, this strong presence in schools enabled Lactalis to have 980 work-study students and 374 interns in its French workforce.

The successful integration of young interns and work-study students who join the company is one of the keys to the success of the pre-recruitment policy. It is carried out through a short and direct recruitment process as well as visibility regarding the HR policy and career paths, particularly during their induction day (organized two to three times a year). In France in 2023, these elements, combined with managerial support, led to the hiring of more than one in two students at the end of their internship or work-study period (53% of work-study students and 54% of interns).

##### Employee integration

The quality of the welcome afforded to new employees is also crucial to Lactalis' attractiveness.

New employees are supported by their Manager and Human Resources Manager through a personalized induction program. The objective of this course is to understand the company's values, to familiarize themselves with what the various departments do and to establish a network of contacts and knowledge within Lactalis. The formalized induction program takes place in two stages: a collective welcome and/ or a personalized welcome.

### 3. COMMITTING TO PEOPLE AND TERRITORIES

In France, all interns and work-study students are welcomed collectively for one day, and all managers are welcomed collectively for 1.5 days at the Lactalis head office in Laval. This allows them to learn more about the company and its history, through meetings and manager presentations, a visit to the Cité du Lait®, the company's museum that tells the story of the dairy industry, and a visit to a production site. It also gives them the opportunity to build a network within the company.

Collective onboarding sessions are also held in Laval for group employees working in subsidiaries outside France. This allows them to discover the French roots of the company and the central support services.

#### Employee engagement

Since 2021, Lactalis' employees have been invited to participate in a Managerial survey rolled out at group level to measure their level of engagement and success, and thus identify areas for improvement requiring action plans. Employees were asked about issues common to all of the company's employees, such as:

- engagement;
- respect and recognition;
- management;
- security;
- career development;
- their vision of the company's strategy;
- the working environment;
- diversity and inclusion, the measurement of which was strengthened in 2023 by adding new questions on these topics;
- issues specific to each country or subsidiary.

98% of the group's employees were asked to respond to the Lactalis Managerial survey between 2021 and 2023.

Employees are surveyed on a regular basis. In 2023, employees in many countries (such as France, Brazil, Italy, Australia and Romania) were surveyed for the second time. This makes it possible to put in place short-term action plans and measure their effectiveness. This is a strong signal of Lactalis' desire to place human capital at the heart of its strategic thinking and direction.

#### New leadership model

The new Lactalis leadership model was established in 2021 by collecting the views of Lactalis leaders from the Management Committee, the Human Resources Board and focus groups organized in 15 countries with the General Managers and Business Line Managers, so as to take into account the intercultural diversity of Lactalis while respecting its fundamental values.

This new leadership model is composed of four pillars and 16 associated key behaviors:

1. caring: focusing on people and sustainable development;
2. sharing: collaborating and promoting diversity;
3. daring: driving growth with courage and ambition;
4. inspiring: shaping our future together.

This new leadership model was rolled out in 2023 through workshops held in all group subsidiaries.

To support the deployment of this leadership model, a digital training course composed of five digital modules dedicated to the leadership model was offered to all through the Learning Factory, and a training course completion challenge was launched. In total, more than 54,000 training courses were completed with 15,000 employees participating in the challenge, while 11,000 employees completed the five training modules.

In 2023, this new leadership model was incorporated into the HR recruitment, onboarding, performance assessment and training processes. The Human Resources departments have supported all managers in bringing this model to life in the field on a daily basis, and has helped them to develop their individual and collective leadership.

#### Internal promotion

Internal promotion is one of the key elements of Lactalis' Human Resources policy.

Internal mobility contributes to the company's growth dynamic. In France, an internal job offer platform called Lactajob has been created. This platform allows each employee to find out about the opportunities that exist within the company and strengthens internal mobility.

The Lactalis supports the internal mobility of employees through training. In France, logistical and financial support is also offered for internal transfers involving relocation.

Internal mobility promotes synergy between departments, enables the personal and professional development of employees and extends their internal network.

#### Career development

Lactalis has made the career development of its employees a priority. Mobility can be horizontal, vertical or geographical.

Lactalis has set up a process of annual individual interviews between employees and their Managers in order to take stock of their development wishes and set the objectives for the year. Management reviews are then conducted in all countries to establish changes with Managers.

Management reviews result in the establishment of succession plans for all managers.

Based on the Lactalis Industrial Model<sup>(1)</sup>, the leadership model and the group's values, the "Talents for the Future" program in northern Europe enables employees to define concrete action plans to prepare and accelerate their personal development. This tool enables them to understand the key behaviors and skills in terms of expertise regarding our products, transformation processes, leadership and budget management and methods to evolve within the group.

1) The Lactalis industrial model is built on two elements: each production site is a profit center and must apply continuous improvement at all levels.

### 3. COMMITTING TO PEOPLE AND TERRITORIES

In Chile, the "ELITE" program combines three pillars: understanding Lactalis' fundamental values, implementing the new Lactalis leadership model and Lactalis management. The program trains the leaders of tomorrow by giving them great career prospects.

In Bosnia, the "Zone of Excellence" program started in 2019 and ended in December 2023. 17 employees from different functions and job levels were selected on the basis of their enthusiasm to sign up for the Academy course, teaching them new skills such as project management and working as a team.

#### Training

The development of skills within Lactalis mainly involves internal promotion and the organization of tailored skills development plans. Among the training courses organized, training provided by in-house trainers is particularly valued because it facilitates the transmission of knowledge and know-how.

Assessment campaigns are generally carried out by way of a tool deployed at company level (Lactalent). This tool makes it possible to support employees in their professional development and to prepare for internal changes, any international transfers and career development within Lactalis.

At international level, Lactalis has created three training courses:

- the Industrial Academy aims to train the Site Managers of tomorrow. Since 2016, 16 classes covering 229 employees from 111 sites in 44 countries have been trained in the Lactalis industrial culture;
- the Maintenance Academy aims to retain and develop Maintenance Managers, whose role is essential. The first Maintenance Academy was launched in 2022 and since then, three classes of 33 employees from 15 countries have taken part;
- the Cheese Academy aims to cement cheesemaking know-how. It was created in 2018 and since then, there have been four classes covering 53 participants (production managers, operations managers and plant managers). In 2023, internal North American trainers were specially trained to deploy the Cheese Academy in the United States and Canada in partnership with the University of Madison in Wisconsin, United States, which allows participants to benefit from hands-on training at the University.

Other training programs are being rolled out to meet the company's needs. To date, employees from 75 countries have participated in training courses on industrial, marketing, finance, trade and management topics.

Finally, "On-the-job training" aims to transfer know-how between plants in a specific way to support changes such as the implementation of a new line or new technology.

The sharing and dissemination of internal know-how, the development of the leadership model and the preparation of employees for future positions within the company also involves internal trainers, who are excellent Lactalis ambassadors.

During 2023, Lactalis put a strong emphasis on internal trainers. This is why the group's Training Department has supported areas and countries with specific programs to teach internal trainers (remote learning and digital training).

These combined global and local efforts, as well as the increased deployment of training initiatives led by internal trainers, meant that 1,899 internal trainers were on board in 2023 (vs. 1,304 internal trainers in 2022).

The following new programs have been rolled out with new internal trainers:

- Industrial Academy (Brazil, United States);
- leadership model and graduate programs (Australia);
- purchasing training in South America and Oceania.

In 2023, Lactalis continued to develop its digital training. In a scope of 77 countries, 24,000 employees logged onto the Lactalis Learning Factory (digital training platform), *i.e.* 26% more than the previous year, completing 130,000 hours of training over the year, *i.e.* 2.7% more than the previous year. They completed 92,584 training sessions (vs. 16,898 in 2022).

This platform offers 300 training modules to learners, of which 42 were created in 2023 (26 locally). They are available in up to 14 different languages.

The Learning Factory offers training modules on:

- the Lactalis culture (the group's values, the leadership model, onboarding of new employees);
- Lactalis' know-how in various fields such as dairy technology, supply chain, quality and hygiene;
- the "Essentials": language courses, MS Office and mandatory modules relating to compliance, for example;
- personal development such as "developing managerial skills", feedback and teamwork.

Language and office training, which are essential for professional success, are now freely available.

The Learning Factory makes training easily accessible to as many people as possible, and helps to develop the learning organization culture. It also supports local needs as it allows for the creation of specific local digital training modules, thanks to a community of 56 digital training creators in eight countries.



**Bernadette Bezuidenhout,**  
Training Manager Lactalis South Africa

**What benefits has the Learning Factory brought to South Africa?**

**B.B.:** The Learning Factory currently enables 800 of our employees to understand Lactalis’ history, culture, values and leadership model. Since its launch, the available training modules have become an essential part of our career paths, and enable each employee to take responsibility for their own development.

The Learning Factory is very flexible and allows Human Resources to become a strategic partner of the company. It enables training opportunities to be extended to a greater number of employees in an efficient manner.

**Which training modules have you created specifically for South Africa and what are the benefits?**

**B.B.:** I created 17 modules between 2022 and 2023, primarily on performance management, recognition and reward, career development, onboarding, open communication, delegation of authority and respect in the workplace. Not only has this enabled us to respond immediately to needs as they arise, but it has also laid a solid foundation so that subject matter experts can now create a library of their expertise that they can share at any time.

Talent development also involves supporting the employability of young people; Lactalis supports the use of work-study programs and has created its own Lactalis Campus for training in mastering dairy technologies, with its first cohort starting in October 2021.

Between now and 2025, the company will continuously increase dedicated training budgets.

**RESULTS**

	<b>2022</b>	<b>2023</b>
Engagement rate	66%	<b>66%</b>
Internal promotion rate	68%	<b>69%</b>
Resignation rate	11.8%	<b>10.9%</b>

**3.2.3 PROMOTING DIVERSITY**

**DEFINITION**

At Lactalis, the variety of employee profiles reflects the diversity of the company as a whole. Lactalis is keen to recognize and promote all talented individuals, regardless of their gender, disability, age, family situation, social or cultural origin, religion, sexual orientation, political or trade union opinion, and so on.

Fairness requires the fair application of HR policies and processes, taking individual needs into account.

Inclusion refers to the experience of employees in the workplace and how they feel valued for who they are, their skills and the experience they bring.

The diversity of the profiles and skills of our employees is one of the keys to the group’s success and development.

**APPROACH, ACTION PLAN AND RESULTS**

Since its creation and in all of its countries of operation, Lactalis endeavors to reflect and integrate diversity and social integration, and to comply with local regulations.

Lactalis’ Human Resources Department, in partnership with the CSR Department, is responsible for formalizing the group’s commitments and for developing and sharing a Diversity, Equity and Inclusion action plan. As such, a working group made up of internal experts works with external specialists to understand the contexts of the various countries in which the Lactalis group operates.

In 2023, the Lactalis Executive Committee was made aware and a Diversity, Equity and Inclusion Policy was drawn up and signed by the Chief Operating Officer to cement Lactalis’ commitments. This policy will be communicated at the beginning of 2024, along with the objectives defined by the company.

### 3. COMMITTING TO PEOPLE AND TERRITORIES

The Diversity, Equity and Inclusion working group is responsible for defining and proposing action plans on the following topics:

1. the integration, development and promotion of diverse talents;
2. the equity of human resources management processes, in particular recruitment, retention, promotion, compensation and access to training;
3. promoting inclusive behaviors through team training and awareness-raising;
4. diversity at all hierarchical levels;
5. measuring the perception of Diversity, Equity and Inclusion through engagement surveys;
6. facilitating and coordinating the approach *via* a network of Diversity, Equity and Inclusion ambassadors;
7. progress indicators;
8. communication of this approach to the group's stakeholders.

In the subsidiaries, several initiatives to promote diversity have already been implemented, such as in the United States, Canada, Sweden and South Africa, and Brazil, where diversity policies are being deployed.

#### Gender equality

Lactalis firmly believes that the company's performance is linked to the plurality of profiles that make it up. As a result, Lactalis is determined to maintain its efforts in terms of professional diversity at all levels.

Lactalis is committed to offering the same opportunities and career development to men and women. Internally, Lactalis monitors a key performance indicator on the proportion of women in leadership positions.

The company is continuing its efforts in terms of gender equality in all countries. In France, the result of the gender equality index is published each year. Lactalis France obtained a result of 89/100 for 2023.

An online reporting platform in the event of non-compliance with non-discrimination laws and regulations is accessible to all.

In France, the rules of procedure establish the rules on Health and Safety and disciplinary measures and reiterate the legal provisions covering sexual harassment and the prevention of sexism. The rules of procedure are displayed at all sites in France.

In Croatia, the "First Time Managerettes" program is intended for women entering their first managerial position in production, quality and maintenance. For two years, these new managers are trained to improve their communication skills, their leadership, and their ability to manage and develop the employees in their teams. The program's first cohort finished in 2023.

All French sites, regardless of their size, have two "sexist actions" officers (one employee representative and one management representative).

	<b>Base year 2020</b>	<b>2022</b>	<b>2023</b>
Percentage of women in leadership positions	20.6%	26.7%	<b>28.2%</b>

#### Youth training and employment

Lactalis works to promote the employment of young people. It has set up an indicator to monitor the number of opportunities offered to young people aged 30 and under across the group and is developing partnerships with training institutions.

Lactalis provides special support to its younger employees through training and work-study programs.

For instance, in France since 2002, as part of the I<sup>2</sup>FA program in partnership with the École Supérieure des Agricultures (ESA), foreign students follow a work-study program for two and a half years. Since 2002, 232 students from 36 countries have joined the I<sup>2</sup>FA program.

During the practical part of the course, students gain in-depth experience at two different industrial sites in France, enabling them to acquire significant skills in two different dairy technologies before returning to their country of origin to take up positions of responsibility within local teams in the areas of production, quality, R&D and milk collection.

This partnership helps to develop the talent of tomorrow and to perpetuate the Group's development strategy.

In addition, the training enables these young employees to acquire Lactalis' values, culture and know-how from the start of their career.

Since 2021, nearly 200 learners have successfully joined the apprenticeship training courses offered for the positions of sector manager and industrial engineer at Lactalis. These programs enable learners to develop essential professional skills at Lactalis, such as sales techniques, management and of course dairy and cheese processing. Lactalis internal trainers lead more than two-thirds of these training courses, thus ensuring that they transfer their expertise in a way which is adapted to the specific business line.

In January 2024, Lactalis opened its brand new Campus. This space will play a central role in welcoming not only apprentices, but also all group employees who come to receive lifelong learning training.

The Campus is now a powerful lever in Lactalis' development policy for all our employees.



### 3. COMMITTING TO PEOPLE AND TERRITORIES

Finally, in 2023, Lactalis renewed the agreement on the Management of Jobs and Career Paths in France, which boosts employees' employability by supporting their professional ambitions throughout their career.

#### Disability

Lactalis is committed to welcoming, onboarding and job retention of employees with disabilities. Policies and action plans are adapted at national level.

In France, for example, the group has had a disability agreement in place since 2010 and is working on the following issues:

- preserving jobs and hiring people with disabilities;
- adapting workstations and providing assistance *via* individual devices (hearing aids, adapted shoes, ergonomic seats);
- raising awareness and training: the group's production sites organize awareness-raising actions for all over several days to combat disability-related prejudices;
- working with adapted establishments that welcome workers with disabilities;
- individual support measures: reduced working hours, return to work assistance, etc.

Every year in France, the group participates in the "DuoDays" initiative: this involves creating duos made up of people with disabilities and company employees who volunteer for a day to share information about the company and specific professions.

In Canada, disability has been included in the Diversity, Equity and Inclusion policy. Various initiatives are being implemented within the country, such as the deployment of an awareness module on unconscious bias.

#### 3.2.4 IMPROVING WELL-BEING AT WORK

##### DEFINITION

Lactalis is developing a global and local approach to well-being at work in order to ensure that the pillars of the national well-being at work policy are consistent with the expectations of its local employees and the cultural sensitivities in the various countries where it operates.

##### APPROACH

Lactalis is in favor of sharing or even replicating certain social innovations that have proven successful in one or more countries.

This is why an international working group was created to define a group approach called Well-being at Work (WaW), to promote initiatives and share innovative ideas in this area. This approach will be launched in 2024.

In France, the group has a national agreement on well-being at work, which is expressed through six themes:

- working safely and protecting well-being (physical and mental);
- being in an environment conducive to quality work;
- optimized organization of work: working hours planned to ensure a good work/life balance;
- finding a source of motivation at one's work;
- developing skills and progressing within the company: ensuring employability and the ability to develop;
- living together at work: managerial relations and those between colleagues.

In France, each operational division must define its own well-being at work policy in accordance with the framework set out in the agreement. The Human Resources teams ensure that the well-being at work policy is in line with the employee expectations at a local level, including those submitted to the Managerial survey. Each year, more than 1,200 Well-being at Work actions are carried out, and a Well-being at Work awards ceremony is organized to highlight some of these actions. In 2023, for example, the Samoëns cheese factory was rewarded for setting up a four-day week in the production workshop.

The Company is attentive to protecting physical and mental health. On each French site, employee representatives of the health and safety commission within the Social and Economic Committee are trained to become psychosocial risk officers.

#### 3.2.5 PROMOTING SOCIAL DIALOGUE

##### DEFINITION

Lactalis aims to establish simple, regular and local social dialogue in order to guarantee effective, pragmatic actions tailored to the group's challenges and the needs of its employees.

##### POLICY AND ACTION PLAN

The company's social dialogue policy is based on the following three pillars:

- encouraging simple, regular and local social dialogue between Senior Management, Human Resources and employees;
- respecting the freedom of association of its employees and ensuring a constant and constructive dialogue with employee representative bodies, regardless of their legal form in the countries in which the group is present;
- respecting the right to form unions and participate in collective bargaining and conclude fair and binding agreements with the unions as early as possible, in order to ensure a significant improvement in the working conditions of employees.

**Lactalis Labor and Employee Relations Way**

On the basis of these pillars, the Social Relations Department deploys group-wide training on its labor relations model entitled “Lactalis Labor and Employee Relations Way.” It is intended for members of the Human Resources departments and can also be followed by all Managers.

**Social dialogue bodies**

The company’s subsidiaries are invited to set up social dialogue bodies in compliance with local regulations. In addition, a European Social Dialogue Body was set up in 2019 and represents 16 of the group’s countries. The aim of this body is to share quantitative information on the group, the levels of activity in each product universe, and the group’s medium- and long-term strategic areas of development. In 2023, this body represented 42% of the group’s employees.

Since its creation, the European Social Dialogue Body has met every year. The 2023 meeting was held in Ljubljana, Slovenia.

**Assessment of social dialogue risks**

The Group Labor Relations Department set up an international working group with 10 countries to identify the main issues concerning labor relations, and to assess the quality of social dialogue at local level, with a methodology for assessing social risks being established. Each week, through site visits, it aims to identify and resolve specific social irritants on warehouses and site shop floors, *i.e.* risks related in particular to social dialogue and employee relations. Social irritants can be related to social dialogue, well-being at work or Health and Safety, for example. These irritants are then shared collectively by the site management team, and then prioritized and addressed.

In 2022, three pilot sites tested this methodology, which was rolled out in 2023 on 26 sites and in warehouses located in 10 countries on five continents. The method will continue to be rolled out in 2024.



**Mickaël Cottin,**  
Group Social Relations Director

**How did the deployment of the social risk assessment method go?**

**M.C.:** We identified officers in each division and each country who were trained on the method for a week. They have therefore improved their skills in conducting field visits accompanied by managers, where they aim to have a direct discussion with employees. Three training sessions were held for these 27 officers: two in Laval (in French and English) and one in Brazil (in Portuguese).

**What are the benefits of this method?**

**M.C.:** It improves communication between managers, employees and social partners and helps them to work more closely together, by strengthening mutual trust. Each employee therefore feels more listened to and included by the company. In addition, resolving employee irritants strengthens their commitment and improves their well-being at work.

**RESULTS**

	Base year 2020	2022	2023	Ambition
Percentage of HR officers trained in Lactalis Labor and Employee Relations Way	39.6%	60.6%	67%	100%

**3.2.6 OFFERING COMPETITIVE COMPENSATION AND BENEFITS**

**DEFINITION**

Lactalis ensures that it offers competitive compensation packages to attract and retain talent.

**POLICY**

The company’s compensation policy ensures that the compensation packages offered are in line with the local market median.

The company’s executives receive fixed compensation supplemented by an annual variable component: the annual variable compensation rewards collective and individual performance with regard to two types of objectives:

- economic, based on Lactalis’ performance;
- employee performance, defined with the direct Manager of each employee.

In France, employees also benefit from incentives and profit-sharing.

## 3.3 STRENGTHENING RURAL COMMUNITIES

### 3.3.1 DEVELOPING RELATIONSHIPS WITH FARMERS

#### DEFINITION

The FAO classifies milk as the third most produced agricultural raw material in the world, coming from nearly 150 million farms and generating around 240 million direct and indirect jobs, mainly in rural areas.

Lactalis is the world's second-largest collector, collecting around 23 billion liters of raw milk per year in around 50 countries and in partnership with some 460,000 farmers.

Although there are a multitude of situations depending on the countries in which the group operates, there are three main types of collection relationship between Lactalis and the farmers:

- **direct collection**, the approach favored by the group: Lactalis enters into direct, individual contracts with farmers. Collections are made at each farm, and farmers receive regular visits from their Lactalis dairy technician, who can provide advice and technical recommendations to help develop his/her business. This organization allows Lactalis to work closely with farmers. This procedure is set up in many countries, for example in France, in a specific way, as the majority of producers are linked to producer organizations to negotiate milk prices and contractual terms;
- **indirect collection**: Lactalis does not enter into contracts directly with individual farmers but with intermediary organizations, which may be private companies or agricultural cooperatives. In this type of arrangement, the volumes purchased, the quality criteria and the prices are discussed with the intermediary organization and not with each individual farmer. This is the case, for example, in Germany and Sweden;
- **market purchasing**: In some countries, the collection of milk is centralized by local authorities. In these situations, Lactalis does not strictly speaking collect the milk but buys the quantities necessary for its activities on a "market," at a given price. This is notably the case in Canada. In this type of arrangement, Lactalis endeavors to maintain relations with farmers through regular discussions with their representatives.

With regard to the transportation of milk between farms (or milk collection centers, see below) and Lactalis sites, this can be done based on two main methods, regardless of the type of collection relationship between Lactalis and the farmers:

- **internally**: the trucks are owned by Lactalis and the dairy drivers are group employees. This method is used in France and Spain;

- **externally**: Lactalis uses third-party transportation companies. In rare cases, the transportation may be provided by the farmers themselves, such as in the United States for instance, where some farmers have their own trucks.

Finally, Lactalis has a network of more than 650 milk collection centers which allow it to collect milk from farmers in the most isolated areas, helping it to boost local economies and societies.

#### ACTION PLAN

Several actions enable Lactalis to develop close relationships with the farmers who supply the milk it processes on a daily basis:

##### Providing technical support to farmers

Lactalis aims to develop its support policy for farmers. As a world leader in dairy, Lactalis has a responsibility to develop its business activities, while implementing an organizational principle that makes it possible to meet the objectives of sustainability and profitability.

The company already supports farmers through training and technical days. For example:

- in Brazil, Lactalis regularly holds field days and training for farmers in its five different milk collection regions; on average, 10 days are organized per year and per region. These technical days are planned according to the demand in each region, and topics are chosen according to the needs of farmers. Meetings generally take place on farms;
- in Germany, the United Kingdom and France, the group regularly offers training to farmers, primarily to enhance their skills in terms of animal welfare and carbon footprint.

In addition to providing technical skills, these various training courses, whether online or preferably face-to-face, are a way of creating links between farmers. Discussions between peers is a lever for creating farming communities and a vector of social ties in rural areas.

In 2024, the group plans to offer more training to farmers. The plan is to build these training courses in partnership with local organizations, such as professional agricultural organizations in France, veterinary schools in Poland and universities in other countries. The training topics must meet the objective of making dairy farms viable and habitable. They will certainly address technical and economic aspects, but will also address the issue of the well-being of farmers. Training may include time management, human relations management and automation.

**Promoting the profession of dairy farmer and contributing to its attractiveness**

Lactalis strives to promote the profession of farmer, both in its communications with producers themselves, as well as with the general public. For example:

- in France, Lactalis highlights the best practices of certain farmers directly on its Producers portal or in the quarterly magazine *Rencontres*, distributed to all farmers delivering milk to Lactalis on a national level;
- in Sweden, the Lactalis (Skånemejerier) recently launched a new communications campaign for the general public entitled "Choosing Skånemejerier is an act of love". As part of this, Swedish farmers are featured on product packaging.

In 2024, Lactalis plans to work more on international discussions between the group's producer partners. It is therefore planned to give producers visibility on the practices carried out in different countries, so that they can then discuss them with each other. The group plans to develop communication and information platforms and to set up an international newsletter to highlight positive projects through testimonials from farmers.

**Contributing to the renewal of generations of farmers: recruiting and supporting young people**

Ensuring that new generations of farmers are coming through is an important issue for Lactalis in a context marked by the decline in milk collection, and the falling attractiveness of the profession of dairy farmer.

In France, Lactalis currently offers support during the set-up phase by allocating volumes of milk to be produced according to the proposed projects. Young farmers can also benefit from price reductions on agricultural supply products, and technical support from Lactalis dairy technicians. In 2024, Lactalis plans to strengthen its approach to young farmers by setting up a "Young Farmer package", consisting of various technical and financial support measures.

**Providing a future outlook and strengthening the bond**

The company recognizes the importance of cultivating mutual understanding between supply chain stakeholders.

In France, for example, Lactalis promotes dialogue with farmers through regular and frequent meetings with representatives of producer organizations on factors which affect milk pricing and volume, but also on CSR-based initiatives. Moreover, technical days and plant visits are organized by each region. Lastly, through the Producers portal and the quarterly magazine *Rencontres*, Lactalis provides technical information on managing dairy workshops, CSR and the economic situation.

In 2024, Lactalis plans to create regular and frequent contact via a monthly newsletter in order to cement the close relationship between the company and farmers.



**Marcelo Candiotto**

President of the CCPR cooperative, Lactalis milk supplier in Brazil

**There is a long-term partnership between your cooperative and Lactalis, could you tell us more about this partnership?**

**M.C.:** In my opinion, the partnership between CCPR and Lactalis is a strategic alliance for the development of farmers and, more generally, the Brazilian dairy sector.

For more than 3,500 farmers, whose livelihoods depend on this activity, this partnership represents an opportunity to ensure the continuity and expansion of their milk production, with the security of a long-term agreement.

**What are the perspectives for the future?**

**M.C.:** Looking to the future, we hope to grow our business together as part of an integrated and continuous improvement process. We aim to implement advanced technologies and sustainable practices to increase the productivity and quality of milk in Brazil.

**3.3.2 SUPPORTING OUR LOCAL COMMUNITIES**

**DEFINITION**

Lactalis wishes, through all its activities, to contribute to the economic and social development of the local communities and territories in which it operates. Local communities can be very diverse, characterized by a common geographical region. They can be composed of employees, consumers and customers, partnering farmer, local government authorities, suppliers, associations and local academic and medical bodies.

Through dialogue with and special attention paid to local communities, Lactalis strives to understand their concerns and needs in order to establish long-term relationships of trust. It is through concrete actions of solidarity, adapted to the local socio-economic context, that Lactalis and its subsidiaries are committed to improving the quality of life and well-being of the various local communities. Lactalis is aware of its role in local communities and seeks to have a positive impact on them.

### OUR PILLARS FOR ACTION

Solidarity actions are carried out all over the world, locally and in the various functions of the company at the free initiative of the countries, regions and group divisions, with encouragement and support from the latter.

The group's actions are focused on the following issues:

#### Support for the most vulnerable population

In February 2023, several earthquakes affected the Kahramanmaraş region, where one of the group's sites is located. In Turkey, Lactalis set up a crisis management team, coordinated global action and successfully implemented a support plan for Kahramanmaraş plant employees, the local population, local partners, distributors and local farmers affected by the disaster in the region. 80 mobile homes were installed on the site to relocate employees and their families, together with a playground and a temporary school so that children could continue their schooling, on an area of 6,000 square meters for five weeks. Lactalis Turkey also donated supplies and food to the local population. A total of 216 metric tons of products were distributed.

In Brazil, Lactalis joined the "Justiceiras" project helping women who are victims of violence. In addition to economic aid, Lactalis Do Brazil printed a QR code on 200 million cartons of UHT milk, giving access to an exclusive alert platform for victims, open 24 hours a day, 7 days a week. People in distress are then taken care of immediately by a team of five volunteer professionals (a social worker, psychologist, police officer, doctor and lawyer). A total of 200 women benefited from this care in 2023.

In Slovenia, Lactalis signed a contract with more than 30 shelters and maternity hospitals for monthly milk deliveries. In order to maintain the privacy of these places, Lactalis has entered into agreements with points of sale in the cities where the shelters are located to deliver the milk. All deliveries follow standard retail routes. The staff of the

maternity units collect the milk directly from the retailers. Therefore, around 30 shelters and their residents are regularly supplied with high-quality milk. Annual volumes are approximately 27,000 liters.

#### Taking action for the development and well-being of future generations:

In Brazil, Lactalis has set up a program to promote the social inclusion of young people. The project includes a range of cultural workshops such as theater, dance, ballet, street dance, visual arts, choral singing, drums, orchestra and capoeira for children and young people aged 6 to 18. In the first half of 2023, 1,800 children had benefited from the program.

In India, Lactalis trained 40 visually impaired young people in digital appropriation in partnership with The Nation Association for the Blind (NAB). To combat digital exclusion and promote education for all, Lactalis India has focused its efforts on two actions: the donation of computers to the association and dedicated support for visually impaired young people.

Each year, Lactalis Spain collaborates with the Junior Achievement Foundation as part of the "Partners for a day" program. This program offers students in the last year of compulsory secondary education, voluntary secondary education and vocational training, an opportunity to gain experience in a similar environment to work. In addition, during this day, volunteers from all departments introduce students to their daily lives at Lactalis. In 2023, 10 students were able to benefit from the program.

Since 2018, Lactalis (Stonyfield) has worked with more than 40 cities across the United States to help them convert bio-maintenance parks and playgrounds into healthier, pesticide-free green spaces for families and children. In 2023, Stonyfield announced the creation of pilot parks in New York. This program was officially named "Stonyfield #PlayFree".



### Donations of food and basic necessities

As part of its efforts to support local communities, Lactalis takes action to help the most disadvantaged.

In addition to its sponsorship agreement with *Les Restos du Cœur*, Lactalis has been involved in the charity's national collections. Food collections organized directly at volunteer sites.

As such, in 2023, 43 Lactalis volunteer sites in France responded to the call, and thanks to the action of its local teams, collected more than 1.7 metric tons of food and hygiene products, with the sites voluntarily contributing an additional 6.5 metric tons. *Les Restos du Cœur* then distributed the products collected to the most vulnerable people, supported by the association.



**Chris Vermeulen**

Lactalis South Africa  
Human Resources Director

Lactalis South Africa has contributed to the building of the Jakes Gerwel Technical High School in order to reduce the number of unemployed young people or those not in school in the city of Bonnievale. The school opened its doors in 2018 with 240 pupils and now has a total of 780. Lactalis South Africa continues to contribute to the cost of maintaining the school.

### What were the reasons that motivated Lactalis' participation in the construction of Jakes Gerwel Technical High School?

**C.V.:** Lactalis South Africa's largest plant is located in the town of Bonnievale (12,000 inhabitants). The plant employs 800 people, making it the largest employer in the region. In 2016, the community, and by implication Lactalis employees, faced a major challenge: they needed a second high school. There were 10 primary schools for 2,500 learners, and one high school for 350 learners. Many children were left on the streets instead of going to high school. The community joined forces with the regional education authority, Lactalis and other stakeholders to build a new technical high school.

### How does the construction of this technical high school contribute to the development of the local community in Bonnievale?

**C.V.:** The ripple effect of the school was way bigger than expected. In view of the transformation observed in the community, the partnership model is now seen as a model to be followed and replicated in other communities in South Africa. During the construction of the school, the community itself raised a significant amount of cash and in-kind donations, which gave it a sense of pride, self-worth and belonging. But what is by far the most important and rewarding aspect are the changes in the lives of children. We see it in their eyes, in their smiles, in the way they walk and talk. Children who had no hope are now full of hope, believe in themselves and dream of their future.

### Can you tell us about the genesis of the Jakes Gerwel Technical High School construction project?

**C.V.:** Lactalis' financial assistance in the construction of the school encouraged other economic players to get involved. Lactalis support continues to this day, ensuring the continuity of the school's operations. Thanks to the construction of this school, Lactalis was able to hire young people with technical skills. In addition, the school's presence has significantly improved the social climate in the community and the well-being of Lactalis employees.

**FOCUS ON THE LACTALIS CANADA VOLUNTEER PROGRAM**

Lactalis Canada provides salaried employees one paid day per year to volunteer on a weekday to causes and initiatives they care about – whether it’s a personal or corporate initiative. In total, 247 Lactalis Canada salaried employees used their company volunteer day to give back to their communities across the country, resulting in a total of 1,840 hours of volunteering in 2023.

Kids Help Phone is an organization which supports youth mental health and wellbeing and is Lactalis Canada’s long-standing charitable partner. Each year, Lactalis Canada encourages any salaried employee who attends and participates in the annual Kids Help Phone Walk so Kids Can Talk, which falls on a weekend, to use their volunteer day and take another week day off in lieu of their time. In May 2023, close to 100 Lactalis Canada employees came out to volunteer in the walks that took place across the country.

In addition, a number of teams and employees participate in various volunteer activities to support their communities including foodbanks, environmental causes, children and youth initiatives and animal welfare organizations. For example, team members in Toronto, Ontario packaged essential items for Haven on the Queensway, which serves families in the local area of Lactalis Canada’s headquarters through food bank and clothing programs and Lactalis Canada’s Yogourt & Cultured Division participated in “Build a Dream” in Montreal, Quebec where participants competed in teams to build bicycles that were then donated to Big Brothers and Big Sisters, an organization which offers mentoring programs to support children in need.

In 2024, a newly launched Lactalis Canada Employee Community Engagement Committee will be identifying more volunteering opportunities to help drive different charitable fundraising initiatives, including Kids Help Phone and Grocery Foundation, which provides healthy meals for school-aged children facing food insecurity.



## 4. OFFERING HEALTHY, TASTY AND ACCESSIBLE PRODUCTS





## 4.1 MAKING FOOD QUALITY AND SAFETY AN ABSOLUTE PRIORITY

### DEFINITION

At Lactalis, Food Quality and Safety are an absolute priority. The company is committed to:

- producing and distributing products that comply with applicable international and local regulations and standards;
- striving for excellence without ever compromising on the safety, compliance and quality of its products and services in all the countries in which it operates.

With this in mind, a clear "Act for Quality" strategy has been defined and rolled out across all group sites.

The Lactalis teams use all of their expertise to obtain and strengthen consumer confidence by defining fundamental principles of Food Quality and Safety on a global scale and applying them locally.

### GOVERNANCE

The Food Quality and Safety Policy is led by the Quality, CSR and Crisis General Manager, a member of the group's Management Committee who reports to the CEO, and by the General Managers of the group's subsidiaries.

Each subsidiary General Manager is responsible for ensuring that the products sold comply with the regulations in force and the standards set by Lactalis. At the presentation of annual quality reports at beginning of each year, the General Managers commit to meeting the specific objectives and action plans rolled out in the divisions and support services.

All members of the Management Committees for each Division, in particular the Quality Directors of the countries or areas, the Site Directors and the Quality managers of the sites and Departments, are responsible for the operational implementation and monitoring of the group Food Quality and Safety Policy as well as the standards set by Lactalis, at all levels of the company.

The Group's Food Quality and Safety Department, led by the group's Quality, CSR and Crisis General Manager and member of the Management Committee, reporting to the CEO, develops the Food Quality and Safety strategy and defines Lactalis' policy in this area. It maintains a high level of expertise in all aspects of Food Quality and Safety, establishes Lactalis' standards in these areas and assesses the compliance and overall effectiveness of the system. This Department is responsible for the group's quality methods, and works closely with the network of local Quality Directors and Quality Managers.

### POLICY

"Act for Quality, because we care" is the Food Quality and Safety Policy defined by a team of Quality Directors from a range of backgrounds and geographical areas, who are involved in different product categories.

The company has defined a clear ambition: at Lactalis, Food Quality and Safety are an absolute priority.

Quality is a shared mindset for all of us at all times. It is recognized by everyone: customers, consumers, employees and partners (suppliers, authorities, etc.)

The Food Quality and Safety Policy within Lactalis covers the entire process and value chain, from product design to product purchasing, supply, production, storage and marketing, including the relationship with consumers.

It applies to all subsidiaries, production sites, storage and research and development centers, and covers all products.

This policy is based on the "Act for Quality, because we care" strategy, developed in 2022, and which demonstrates continuity: continuing what works well and accelerating other topics. It is based on four clear and crucial pillars to meet the vision: "Offering healthy, tasty and accessible products which bring people together, to consumers all over the world".

#### 4. OFFERING HEALTHY, TASTY AND ACCESSIBLE PRODUCTS

The Quality Policy is also based on four mindsets that embody the attitudes and behaviors that we seek to promote in order to strengthen the Quality culture:



The commitments in terms of Food Quality and Safety were also revised in 2022, and have been approved by Lactalis' CEO. These commitments aim to:

1. guarantee safe products that comply with current regulations and standards;
2. offer tasty products that consumers prefer. Design and improve our products to always meet their expectations in terms of taste and nutritional benefits and thereby contribute to internal and external growth;
3. be efficient and strive for excellence. Implement performance and continuous improvement processes across all operations, to offer our consumers the best quality at the best price;
4. encourage everyone (our employees and our partners) to enhance their expertise and leadership, to feel responsible, to work as a team, and to collaborate to achieve our food safety and quality objectives.

The Lactalis standards, which describe the operating methods and monitor scientific progress and regulatory changes, are aligned with the FSSC 22000 and ISO 22000 food quality and safety management systems and are backed by a risk analysis.



#### 4. OFFERING HEALTHY, TASTY AND ACCESSIBLE PRODUCTS

### ACTION PLANS AND RESULTS

#### Ensuring that products are safe and compliant

Through its various sites, rigorous control and analysis plans are deployed to verify product compliance in two crucial areas: food safety and product regularity.

Lactalis implements a food safety management system at its industrial sites that complies with GFSI standards and is based on the ISO 22000, FSSC 22000, IFS, BRC or SQF standards.

The sites are audited regularly, internally and by independent third parties. Lactalis has developed risk anticipation and management programs as well as internal and external laboratory management programs.

The Quality Department keeps the analysis of the group's food quality and safety risks up to date, taking into account emerging and proven hazards, their assessment and management through the Scientific Monitoring Department.

Lactalis has developed risk anticipation and management programs as well as internal and external laboratory management programs. This process covers all inputs, production processes and finished products.

The list of resulting hazards is kept up to date at group level and communicated to production sites.

At the sites, hazard analyses and risk assessments are carried out using the HACCP method: each site is required to adapt the list of hazards regularly updated by Lactalis based on site-specific characteristics and local specificities and requests, and to put in place a prevention plan and a control plan.

Lactalis regularly assesses the performance of its production sites:

- internally: at group level, a team of experts is responsible for supporting the sites through consulting and training to develop expertise and quality audits. These audits are carried out in accordance with group standards and can be specific to a given theme if necessary;
- externally: *via* independent third parties based on GFSI-type food safety standards. Lactalis has set itself the objective of certifying all its production sites GFSI or ISO 22000 by 2026.

The share of industrial activities certified according to GFSI standards or to ISO 22000 has been increasing steadily over the past three years.

	Base year 2020	2022	2023	Target
Percentage of industrial activities certified according to at least 1 of the 5 ISO 22000, FSSC 22000, IFS, BRC, SQF certificates	81%	83%	85%	100% in 2026

#### Offering consumers tasty products

Lactalis aims to provide healthy, tasty and accessible products: the objective is to design and constantly improve products in terms of taste and nutritional benefits so that they become consumers' preferred products.

We place great emphasis on listening to customers and consumers to innovate and improve products. Before launching a product on the market, numerous checks are carried out to guarantee that it is of a high quality in comparison with our competitors. The taste, smell and texture of our flagship products and those available in competitive markets is regularly assessed through consumer tests, assessments by experts and internal panels composed of qualified and trained tasters.

Employees are the ambassadors of the group's products: In 2022, Lactalis launched the "Passion For Taste: knowing how to taste a product" program. Through tastings, live sessions, online or *via* a module on the internal training platform, the company continues to develop knowledge of our products among all employees.



#### 4. OFFERING HEALTHY, TASTY AND ACCESSIBLE PRODUCTS



In 2023, Lactalis won first prize from the Brandon Hall Group in the "Best program" category for unique and innovative professional development training. The assessment was based on five criteria:

- adaptation to specific needs;
- program design;
- program execution;
- the benefits provided by the program;
- the overall results achieved through the program.

Its ambition is to further develop expertise, offer ever-better products, and consolidate the leading position of Lactalis products and brands.

Aimed at all employees, and currently being rolled out worldwide, this training aims to cultivate consumer confidence and preference:

- 1,834 employees have completed the digital module since its launch;
- 483 employees took part in the training sessions conducted by the teams of experts.

In 2023, 68% of core products were monitored by an expert panel trained in tasting techniques by product category. The list of core products is reviewed every two years.

In 2024, the objective is to set up more expert panels to achieve a 74% follow-up.

#### FOCUS ON PRODUCT AWARDS

In 2023, a large number of medals were awarded to reward the passion and expertise of Lactalis employees:

- the *Concours Général Agricole 2023* awarded a record 57 medals to Lactalis dairy and cheese factory teams in various categories, including: cheese, butter and cream (25 gold medals, 18 silver medals and 14 bronze medals);
- 9 products received a gold medal, and 3 received a silver medal at the *Concours International de Lyon* (Lyon International Competition);
- 20 medals were given out at the United States Championship Cheese Contest.



#### Being efficient and striving for excellence

Lactalis implements monitoring indicators that enable continuous improvement. To this end, Lactalis is working to implement management tools which are connected to production sites. The aim of this project is to facilitate and strengthen the effectiveness of the quality process and to make the reporting of information to the group more reliable.

Throughout the value chain, from the moment of receipt of raw materials to delivery to the store, Lactalis carries out a multitude of quality controls and tastings.

By measuring real-time quality, reviewing results, setting targets and performing internal audits, Lactalis identifies discrepancies and eliminates defects to ensure a product of consistent and high quality.

In 2023, the new electronic document management system was launched. This new tool was designed to facilitate access to information for all and to easily monitor changes over time.



## STRENGTHENING EXPERTISE AND LEADERSHIP AND DEVELOPING THE QUALITY CULTURE

### Expertise

A major challenge is to ensure the maintenance and sharing of know-how and expertise across all group production sites. Several initiatives have been launched on the theme of training to strengthen quality expertise and Leadership.

### Leadership

Over the whole year, more than 80 group Quality Directors were trained in the first three pillars of Quality Leadership:

- collaborate & break silos to build trust;
- challenge the *status quo* and think outside the box;
- influence and engage;
- the final pillar will be rolled out in 2024: Act as One Team & Speak as One Voice.

In June 2023, we celebrated World Food Safety Day through activities led by the Quality Managers of each of the sites, as well as educational materials shared by the central teams. Through a new internal network of the Quality community (to which 550 employees have access), we created three webinars on the theme of "Food Standards save lives".

### Quality culture

Food quality and safety are built by applying Lactalis standards and the behaviors and mindset of employees, at all times and everywhere. The culture of food quality and safety is developed and strengthened:

- by ensuring the awareness-raising and training of employees and partners;
- by providing them with the means to succeed;
- by communicating openly and clearly;
- by engaging management and Managers.

In 2022, Lactalis launched an employee information and awareness-raising campaign on its "Act for Quality, because we care" strategy. In 2023, Lactalis continued to roll out its Quality Policy across all its sites, through several actions:

- the launch was accompanied by an interview with the Group Operations Director, as well as the Quality and CSR General Manager. This interview was circulated to all sites to strengthen the participation of the group's management and personnel;
- the policy has been translated into all local languages, so that it is understood by all employees. Posters are put up on all sites to ensure visibility. The "Act for Quality" program is an excellent opportunity used by countries to address and strengthen the basics, and to develop the Quality culture. Results can be improved through employee commitment to quality-related activities.



**Salwa El Janati,**

QFS Performance and Projects Director

### What steps have been taken to communicate the quality strategy to the entire organization?

**S.E.J.:** First of all, we have a network of Quality Directors with whom we have organized discussion sessions to explain the quality strategy in detail, along with its challenges and benefits for the organization.

A communications plan was then drawn up to inform and raise awareness among all employees about the Quality strategy. We made use of the company's internal communication networks, disseminating the Quality Policy, interviews with the group's managers, and organizing events around the group's Quality goals.

Locally, the teams also used World Food Safety Day and World Quality Day to lead and organize discussions on our Quality strategy. These discussions gave employees the opportunity to ask questions and understand how the Quality strategy fits into their daily activities.

### How did you organize the initiatives and projects aimed at strengthening the Quality strategy?

**S.E.J.:** The Quality strategy is deployed through 18 projects, each with clearly defined deliverables measured over time, and with the aim of contributing to the achievement of the Quality strategy objectives. Multifunctional project groups (human resources, IT, purchasing, etc.) have been formed to meet cross-functional needs.

This approach ensures that the actions implemented effectively contribute to the continuous improvement of Quality within the organization.

## 4.2 PROMOTING A HEALTHY AND BALANCED DIET

### DEFINITION

Since the beginning of its adventure in 1933 in Laval, Lactalis has been driven by a passion for Dairy products and the conviction of their place in a healthy and balanced diet. Lactalis is also of the belief that pleasure is one of the main vectors of a balanced diet over the long term.

Eating well is first and foremost about choosing good products and ingredients that we enjoy cooking and sharing. Lactalis is committed to combining, taste and nutritional requirements in the development of its recipes. Lactalis teams constantly seek the right balance between taste and the fat, sugar and/or salt content of the products.

Lactalis believes that a balanced diet does not mean avoiding saturated fats, sugar or salt, but must also meet human needs in terms of essential nutrients. Because ultimately, it is the whole plate that counts and fully justifies the role of dairy products and fats in a balanced diet.

Education regarding healthy eating habits is also essential. As such, the group's brands make consumers aware of the importance of eating a balanced and varied diet through regular meals, ideally shared with the family, as numerous studies have demonstrated the positive impact of such practices.

### GOVERNANCE

The group's nutritional policy is designed, monitored and adapted by the Strategic Nutrition Committee, made up of internal experts representing the main Business Lines concerned: Manufacturing and R&D, Nutrition, Purchasing, Quality and CSR, Marketing and Communication. These works imply regular interactions with a network of Lactalis internal experts based in the countries in which the company operates.

This Committee proposes strategies and action plans, as well as procedures, methodologies and tools for their successful implementation. The Committee's proposals are submitted to the group's Management Committee.

### POLICY

Lactalis intends to contribute to the promotion of human health in accordance with the United Nations 2030 Agenda for Sustainable Development. This commitment drives Lactalis teams every day through four guiding principles.

#### Close monitoring of added sugar and salt content

Lactalis bases its policy on recommendations by the World Health Organization (WHO). The main sweet products contained in the Lactalis products are fresh dairy products and flavored milks; Lactalis therefore pays close attention to the added sugar content of these two categories, setting out internal recommendations for certain categories.

For its part, salt (sodium) plays an essential role in the processing of cheeses beyond the organoleptic aspect: microbiological and enzymatic stability of the product, etc. Cheeses can thus have varying levels of salt, and consumers can adapt their consumption according to their sodium needs. Processed cheeses may be optimized for salt content and are subject to specific internal recommendations.

#### Offering consumers products with simple and understandable recipes

Demand for simple products and recipes continues to grow, supported by changing consumer expectations and the influence of food rating and comparison tools (apps). Consumers are looking for unprocessed recipes with short, natural, understandable lists of ingredients, without additives. As dairy products are mainly composed of milk and cream, most often processed according to traditional methods, they very often meet these expectations. Lactalis works to simplify some of its most sophisticated recipes where possible, thus adopting a reasoned approach to its choice and use of additives.

#### Promoting clear nutritional information and raising awareness of the importance of portion sizes

Lactalis promotes clear, comprehensive and easily understandable information on its products. It participates in the work of sectoral trade federations in order to improve existing standards, for example, within the European Union during consultations on the evolution of the INCO Regulation on consumer information on food items.

Lactalis is also convinced that raising consumer awareness of portion sizes is a useful way to help them adopt a balanced, healthy, long-term diet. This is why we encourage the widespread use of portion indications on our products.

In order to give consumers access to more information on the composition or use of its products, Lactalis packaging also contains contact information for its consumer services.

#### Promoting the place of dairy products in a sustainable and balanced diet

Dairy products are a major source of calcium and of high-quality proteins, but also of a unique range of fatty acids as well as vitamins and minerals. That is why dairy products are recommended by renowned institutions as part of a complete diet, such as the United Nations FAO through the "Rotterdam Declaration on Dairy Products" (2016).

**ACTION PLAN**

**Added sugars and salt**

In order to improve and monitor changes in the composition of added sugars, Lactalis has established internal recommendations for each category of sweet products, adapted in particular from the Rayner table, on the basis of total sugar content per 100 g or 100 ml. These categories are flavored milks, ultra-fresh products and dairy desserts. Lactalis has set up regular monitoring of the compliance of its branded products with these recommendations.

Lactalis, starting from the principle that it is important, from an early age, not to accustom children to sweet tastes, ensures that, in addition to efforts to reduce sugar, the use of sweeteners in these products is considered on an exceptional basis and without increasing the intensity of the sweetness.

Lactalis has also established internal recommendations on the use of salt in its processed cheese recipes (except for recipes based solely on the use of blue cheese, Parmesan, Grana Padano since they are saltier and not covered by WHO recommendations).

As with sugar, compliance with these recommendations is regularly monitored.

**Simpler recipes**

Since 2019, Lactalis has established an internal classification of additives based on published lists and taking into account the requirements of its customers. Lactalis teams, particularly in the R&D and Marketing Departments, are working on the gradual elimination of a selection of priority additives. This work contributes to the improvement and simplification of recipes. Changes in the residual volume of products containing at least one priority additive are monitored annually for branded products.

**Consumer information**

Lactalis is responsible for providing consumers with comprehensive and accurate nutritional information through the systematic labeling of nutritional values. When there is insufficient space on the packaging or when the distribution network does not allow it, Lactalis ensures that this nutritional information is made available to the consumer, for example in digital form.

Lactalis believes that portion size is one of the keys to achieving a balanced diet. In order to help consumers adopt healthy eating habits, Lactalis is committed to providing information on portion sizes for its products.

Portion size can simply be indicated by the recommended quantity to be consumed according to observed habits, dietary recommendations, scientific considerations and local regulatory requirements. Lactalis also aims to help consumers put portion sizes into practice by translating them, where possible, into product units (example: 32g = 2 slices of processed cheese), kitchen measurements (25g = 1 dessert spoon), any other graphic representation, or a cutting mark on the packaging.

**The place and role of dairy products in a balanced diet**

Lactalis is a firm believer in the importance of dairy products in a balanced diet, due to their nutritional value and accessibility. As such, Lactalis promotes the moderate and mindful consumption of dairy products. In particular, Lactalis is committed to promoting the nutritional importance of dairy products and the positive impacts of the sector in meeting the challenges of transitioning global food systems. Lactalis' contribution notably takes the form of the following actions and initiatives:

- contributing directly to the discussions and actions of dairy associations;
- promoting internal communication to raise employee awareness and develop the dairy culture;
- raising awareness and explaining to its customers the importance of dairy products in a balanced diet.

In addition, Lactalis continues to develop a culture of taste among all its employees. Lactalis has therefore launched the "Passion for Taste" program, see section 4.1/ Making food quality and safety an absolute priority.

**RESULTS**

	<b>2022</b>	<b>2023</b>
Share of volumes compliant with internal sugar recommendations for the milk + ultra-fresh* dairy categories	86%	<b>86%</b>
Share of volumes compliant with internal salt recommendations for the processed cheese* categories	62%	<b>66%</b>

\* Data relating to a scope representing 84.5% of brand revenue.

**Monitoring the removal of ingredients to be eliminated as a priority:**

The 2023 usage levels of "priority" ingredients considered on an individual basis are all less than 1% of the monitored volume.



**Christophe Jouin,**

Group Marketing and  
Commercial General  
Manager

### How does Lactalis guarantee the superiority of its products?

**C.J.:** In the food industry, pleasure is the first criterion for the satisfaction of our consumers and it is essential to always offer them the recipe that will be the most appreciated on the market. We regularly submit our core products to blind tests against our main competitors, in order to verify that the taste, smell and texture of our products is of the best quality in different contexts. We are not satisfied with having products of the same quality as other products. We therefore aim for superiority for more than 60% of our consumers. If a product fails, its recipe is collectively reviewed by Marketing, Quality, R&D and our industrial teams, to improve it by trying to find the right balance between nutrition and pleasure.

However, the quality of taste, smell and texture of each product is everyone's business: this is why we launched the "Passion for Taste" program based on quality, to put the product and consumer satisfaction back at the heart of our daily activities. Indeed, in order to meet our standards, the product must not only be effective during a test phase, but every single day.

The culture of continuous quality control is implemented through our trained panels composed of qualified and trained in-house tasters, expert panels able to carry out high-quality assessment and analysis, contact with our consumers through consumer services and continuous tasting of our products by all of our employees.

### What is Lactalis' approach to a balanced diet?

**C.J.:** We believe that pleasure is the key to a long-term balanced diet. In terms of health, nothing can replace a balanced and varied diet, shared at regular meal times. Because habits are learned early, it is up to us to pass on the pleasure of eating well.

We believe that a balanced diet should not only be based on the avoidance of saturated fat, sugar and salt, but also on the consumption of foods that meet our needs for essential nutrients and the recognition of the respective role of different food groups.

We are therefore constantly looking for a good balance between taste and the amount of fat, sugar and salt in our products. We also pay particular attention to additives in our most processed products. We seek to improve and simplify our recipes by eliminating controversial additives, even though they are permitted.

Finally, consumer information is a key issue: we are committed to providing consumers with comprehensive and accurate nutritional information, incorporating it into a context of actual consumption.



4. OFFERING HEALTHY, TASTY AND ACCESSIBLE PRODUCTS



## 5. PROTECTING THE PLANET AND ITS RESOURCES



## 5.1 INDUSTRIAL ENVIRONMENTAL STRATEGY

### DEFINITION

As a world leader in dairy products, Lactalis intends to fulfill its mission to contribute to health and tasty food while preserving natural resources and biodiversity for future generations. In accordance with its corporate culture and model, the group bases the environmental strategy of its industrial operations on a local approach, based on the principle that local solutions are the most appropriate to meet direct environmental challenges. To structure these local approaches in dialogue with its stakeholders, and to respond to the diversity of profiles, cultures and industrial histories of its sites, the group shares guiding principles and methods.

### GOVERNANCE

The Group Energy and Environment Department is responsible for defining best practices, policies, procedures, training and awareness-raising actions relating to environmental management. It is also in charge of the deployment of management systems, reporting methods and protocols, internal audits and external certifications such as ISO 14001).

The Energy and Environment Department also has a network of Environment and/or Energy officers and coordinators in the group's countries, regions and/or divisions who report to it functionally. This network of Environment coordinators enables the effective deployment of approved best practices at group level.

A third level of responsibility, through the Environment and Energy coordinators at the industrial sites, is more specifically responsible for the day-to-day management of the action plans implemented and the necessary feedback at group level.

### POLICY AND ACTION PLANS

The food industry has a significant impact on the environment. At the industrial site level, its main impacts are as follows:

- water consumption;
- discharges into water and soil;
- air emissions (including CO<sub>2</sub> emissions);
- energy consumption;
- waste production;
- the extraction of natural resources.

Based on this observation, Lactalis formalized its environmental policy in 2022. It is based on the following issues:

- regulatory compliance and implementation of environmental management systems;
- the management of all water, in a context of resource scarcity in certain areas, and best practices for the management, handling and storage of potentially polluting products;
- air emissions, with a particular focus on CO<sub>2</sub> emissions and their impact on global warming;
- control of consumption and the energy transition;
- protection of populations with regard to the use of hazardous products, the inspection and maintenance of industrial equipment, as well as noise and odor pollution;
- resources *via* waste management and soil protection.

In addition to the formalization of the group's environmental policy, the Energy and Environment Department has drawn up four action plans, which have been rolled out from 2022, designed to improve Lactalis' environmental impacts over the next 10 years. Two additional plans were added in 2023. These plans are as follows:

1. plan relating to technological resources through the implementation of the necessary modernizations of Lactalis utilities and infrastructures to bring them into compliance with regulatory changes and reduce the risk to an acceptable level;
2. plan relating to the increase in the skills available at the sites to maintain a level of operational control of the group's environmental or energy utilities;
3. plan relating to the deployment, at all of the group's industrial sites, of harmonized operational control tools and an environmental management system based on ISO 14001, with three levels of commitments depending on site size: external site-by-site certification, certifiable management system, environmental fundamentals;
4. plan for the gradual reduction of greenhouse gas emissions from the group's industrial and logistics activities (scopes 1 and 2);
5. plan to address the scarcity of water resources and develop water sobriety and/or reuse plans through appropriate treatment;
6. plan to improve resilience to the energy crisis and accelerate energy independence with alternative means to hydrocarbons.



### Focus on risk management

The group's Energy & Environment Department coordinates the analysis of environmental risks for the group. The following priority facilities have been identified with regard to environmental risks:

- boilers;
- refrigeration facilities;
- wastewater treatment plants.

The Group Energy and Environment Department assesses the criticality of equipment using a multi-criteria matrix. The level of criticality derived from the matrix enables the group to determine its environmental action plan. Environmental action plans are defined with local teams.

The assessment of the group's environmental risks supplements:

- the assessment of regulatory compliance required by local regulations;
- the environmental analysis carried out at sites where an Environmental Management System is in place (e.g. ISO 14001).

The Group Energy and Environment Department carries out environmental or energy diagnostics at the sites. The purpose of these audits is to monitor the application of Lactalis' environmental policy and environmental management procedures, as well as compliance with regulatory requirements.

The Group Energy and Environment Department has developed several dedicated internal diagnostic standards, for example, thermal or cooling diagnostics or wastewater treatment plant diagnostics.

### Focus on environmental and energy training

Lactalis provides and develops a training offer adapted to the experts in charge of these subjects. Training on environmental regulations and responsibility is available. Training on wastewater analysis and wastewater treatment plant operations is also offered. Training on the deployment of environmental management systems and internal audits is also available.

Awareness-raising training on good energy practices is provided and their international deployment is underway. Training in the best energy utility operations is available and is being rolled out.

**Focus on waste management**

Through its environmental policy, the group aims to ensure that the quantities of waste generated are reduced as much as possible, sorted at source and recycled through sustainable channels where they exist and, at the very least, are authorized by local administrative services. The group is also committed to handling, storing and sorting waste under appropriate conditions to ensure environmental protection.

Lactalis' commitment also covers the resources used to manage waste: they must be subject to regular inspections, measures and corrective actions. The amount of waste generated by the industrial sites is reported by the group.

The company has defined action plans aimed at reducing the amount of waste associated with packaging and promoting its recyclability (see section 5.5 / Promoting the circular economy)

**Focus on the environmental management system**

Lactalis deploys an environmental management system on all sites processing more than 100,000 liters of milk equivalent per day (representing 70% of industrial sites) in order to assess and reduce the environmental impact of its activities. As such, the production sites formalize their responsibility and their environmental commitments, supplemented by quantified targets defined locally. The implementation of this system is verified annually by an internal audit.

In addition, Lactalis has set itself targets for ISO 14001 certification:

- 100% of industrial sites subject to the IED Directive (Industrial Emission Directive) in Europe will be ISO 14001 certified by the end of 2023;
- sites processing the equivalent of more than 300,000 liters of milk per day outside Europe will be ISO 14001 certified by the end of 2027, in accordance with the strategy validated by the group's Industrial Department.

This dual objective concerns 42% of the group's industrial sites worldwide.

To optimize environmental reporting, the group deploys a reporting tool at all of its production sites.

**RESULTS**

	<b>2023</b>
Percentage of ISO 14001 certified sites among IED sites at 12/31/2023	<b>99%</b>
Number of environmental training courses provided in France in 2023	<b>200</b>

In 2023, 68 internal environmental audits were carried out, and 37 sites obtained the ISO 14001 certification (the date of the certificate as proof), including:

- 24 sites in France;
- 13 sites in Europe (excluding France).

37 IED sites were already ISO 14001 certified before the launch of the Group's global approach in 2021.



**Emmanuel Gros,**  
Group Energy &  
Environment Director

**Following the signing of the new Energy and Environment Policy in 2022, what were the challenges for the Group's Energy and Environment team in 2023?**

**E.G.:** At Lactalis, energy and the environment are at the heart of our concerns. We have been working on this for several years through energy efficiency plans and exchanges of best practices.

In 2023, we devoted 15% of the Group's total investment to improving our energy systems and improving our environmental approach.

Alongside our decarbonization approach, and to support the deployment of our Energy and Environment Policy, we worked on the following three projects:

Our first project covers the first pillar of the Energy and Environment Policy relating to reducing risk and improving compliance, with the implementation of an environmental management system on all sites processing the equivalent of more than 100,000 liters of milk per day, and the ISO 14001 certification of all IED sites processing more than 300,000 liters of milk per day.

Our teams of internal experts supported these production sites through internal audits and consulting missions. We are proud to have achieved our objective : 99% of IED sites are ISO 14001 certified;

Our second project involves training all Industrial Directors and Plant Directors in France in best energy management practices. We plan to develop international training in 2024, and to supplement this training with environmental modules.

Third, to better manage our performance and prepare for the future European directive on non-financial reporting CSRD, we are working with our network of Environment Managers to strengthen our reporting on Energy and Environment-related issues.

## 5.2 CLIMATE ACTION

### 5.2.1 GENERAL APPROACH

#### DEFINITION

Climate action and Lactalis' adaptation of its activities to this new paradigm have been identified as a priority of its CSR strategy.

The food and beverage sector, along with its upstream agricultural component, are considered key players when it comes to bringing positive solutions to cut greenhouse gas emissions (GHG) and increase the resilience of production systems throughout the value chain. As one of the world's leading agrifood companies, and a leader in the dairy sector, Lactalis intends to use its size as a lever for climate action: identifying partners and solutions that have proven their worth locally and helping them expand internationally accelerates the transition to less carbon-intensive production models.

#### GOVERNANCE

In order to achieve the ambitions of its Climate roadmap, Lactalis has set up a Climate Committee, made up of internal experts from the main Departments affected by the issue (Industry, Transport and Logistics, Milk Supply, Purchasing, Equipment and CSR). This work also implies regular interactions with a network of Lactalis internal experts based in the countries in which it operates. This Committee proposes strategies and action plans, as well as procedures, methodologies and tools for their successful implementation.

The Committee's proposals are submitted to a Climate Strategy Committee composed of Department Directors and Managers, as well as members of the Lactalis Group Management Committee. These are then presented, discussed and approved by the group's Management Committee and CEO.

The group CSR team is responsible for coordinating the group's climate reporting, calculating the Group's carbon footprint and ensuring that the roadmaps of the various countries and divisions are aligned with the company's climate commitments.

#### POLICY

In 2022, the group signed a letter of commitment to align its greenhouse gas emissions reduction roadmap with the recommendations of the Science Based Targets initiative (SBTi). The framework set by the Science Based Targets initiative complies with the scientific recommendations of the Paris Agreement to limit the increase in global temperatures to +1.5°C compared to pre-industrial levels.

The group has set itself the following objectives:

1. reduce greenhouse gas emissions from the group's activities (scopes 1 and 2):
  - reduce the group's greenhouse gas emissions by at least 25% by 2025 (scopes 1 and 2, reference year 2019),
  - reduce the group's greenhouse gas emissions by at least 50% by the end of 2033 (scopes 1 and 2, reference year 2019);
2. lead the way in terms of decarbonization across the group's value chain (scope 3):
  - contribute to achieving carbon neutrality by 2050, engaging the entire value chain (scopes 1, 2 and 3).

The two intermediate targets in 2025 and 2033 for the reduction of scopes 1 and 2 emissions will enable Lactalis to progress towards the objective of net zero emissions, and thus contribute to achieving carbon neutrality on a global scale. The first short-term objective will enable actions to be taken to achieve the longer-term roadmap. Combined, these actions will also boost the company's climate resilience.

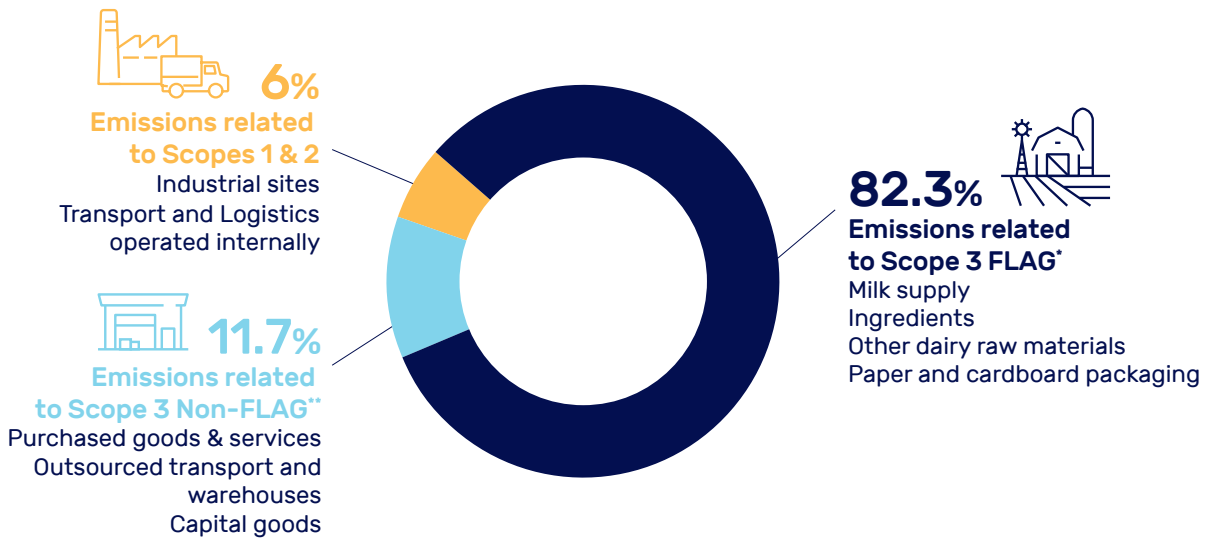
As a company in the dairy sector, the group is aware that in addition to the emissions related to its operations (scopes 1 and 2), it is necessary to act at the same time on the emissions caused by its activities, both upstream and downstream of its value chain. This is why, in 2023, Lactalis worked on the definition of intermediate commitments for its scope 3 emissions, in close collaboration with the internal departments in question. Additional targets have been defined for scope 3 FLAG (linked to Forest, Land and Agriculture) and non-FLAG emissions, based on the new methodological guide by the Science Based Targets initiative.

As part of its commitment to this initiative, Lactalis now plans to submit all of its targets (scopes 1, 2 and 3) to the SBTi for review and validation in 2024.

**ACTION PLAN**

Lactalis measures its greenhouse gas emissions using the GHG Protocol method. This assessment concerns the entire group. The group's greenhouse gas emissions break down as follows:

**BREAKDOWN OF GREENHOUSE GAS EMISSIONS CALCULATED ACCORDING TO THE GHG PROTOCOL METHODOLOGY**



\* FLAG emissions = all emissions related to forestry, land and agriculture.  
 \*\* Non-FLAG emissions = all other types of emissions (industry, energy, etc.).

With 94% of the group's greenhouse gas emissions, scope 3 is the company's most important item. Within scope 3, so-called FLAG emissions are the most significant, with nearly 82% of the group's carbon footprint (scopes 1, 2 and 3) coming from upstream dairy.

Scope 3 non-FLAG emissions account for just under 12% of the group's carbon footprint, mainly broken down into the following emissions categories:

- purchases of goods and services, which account for 46% of the group's scope 3 non-FLAG emissions;
- transport and distribution upstream of the value chain, which accounts for approximately 18%;
- capital goods, which represent nearly 14%;
- activities related to fuel and energy, which account for 12%.

Lactalis focuses primarily on measuring its emissions from its industrial and logistics activities in scopes 1 and 2 in its largest subsidiaries (see Methodological note). As such, the group's various entities have access to their emissions report

for scopes 1 and 2, and use these figures to build their climate roadmap in order to implement the group's commitments on a local scale. In addition, in 2023 the group worked to refine the measurement of its emissions in the rest of the value chain (scope 3), with a view to instituting short-term monitoring similar to that carried out for its scope 1 and 2 emissions.

All relevant teams and internal experts have been brought on board to achieve these climate objectives. The main countries and divisions establish roadmaps in collaboration with the central expert departments, taking into account their local context and opportunities. These roadmaps are then regularly reviewed and improved.

Through its Research and Development activities, and the partnerships forged with experts such as universities, the group anticipates new regulations, new technologies in the fields of livestock feed, storage and cooling technologies for milk, innovative packaging, etc. These efforts enable the group to better meet the expectations of its stakeholders, and in particular its customers and consumers.

5. PROTECTING THE PLANET AND ITS RESOURCES



As such, Lactalis has been supporting the Pathways to Dairy Net Zero initiative for two years. This initiative brings together dairy farms of all sizes and types, as well as organizations from across the dairy supply chain. Launched in September 2021 during Climate Week, this

growing movement is dedicated to reducing greenhouse gas emissions from dairy products over the next 30 years.



In addition to the group, Lactalis' international subsidiaries are also involved in climate initiatives, in order to accelerate the response to climate change. This is the case for Lactalis USA, which joined the Dairy Methane Action Alliance (DMAA) at the end of 2023. This coalition, launched at COP 28

last December, aims to stimulate actions to reduce methane emissions from the dairy sector. The signatories of the coalition thus commit to measuring their methane emissions, and building and publishing a plan to reduce these emissions by the end of 2024. To help them in this process, they will receive technical assistance from the Environmental Defense Fund and other non-industrial partners *via* the coalition. The DMAA will serve as more of a collective voice vis-à-vis policymakers, investors and standards bodies to develop frameworks and practices which better support action on methane.

**RESULTS**

The group monitors the evolution of its emissions for scopes 1 and 2 (presented in accordance with the market-based method), in line with its SBTi objectives:

	<b>2022*</b>	<b>2023</b>
Scope 1 greenhouse gas emissions from industrial sites, warehouses and vehicle fleet (tCO <sub>2</sub> eq)	1,359,908	<b>1,329,063</b>
Scope 1 biogenic emissions from industrial sites, warehouses and vehicle fleet (tCO <sub>2</sub> eq)	354,494	<b>351,144</b>
Scope 2 greenhouse gas emissions from industrial sites, warehouses and vehicle fleet (tCO <sub>2</sub> eq)	528,883	<b>478,752</b>

\* The emissions for 2022 have been recalculated on the same reporting scope as those of 2023 in order to be comparable (see methodological note).





**Julie Farard,**  
CSR Manager

**What are Lactalis’ main initiatives in 2023 to combat global warming?**

**J.F.:** After having concentrated our efforts on our direct activities, by setting precise reduction targets for our scopes 1 and 2, it seemed natural to us to broaden our approach by examining all of the emissions generated by our value chain.

We are aware that as a company in the dairy sector, more than 90% of our emissions occur beyond our direct operations, and that we have a key role to play in their mitigation.

In 2023, we worked with our internal and external stakeholders to define commitments specific to our value chain (scope 3). To help us in this approach, we have followed the recommendations of the Science Based Targets initiative (SBTi) to define objectives that are compatible with a 1.5°C trajectory. In this context, and as a company with agricultural activities in its value chain, we have paid particular attention to the SBTi’s brand new FLAG methodological guide.

**Why commit to the Science Based Targets initiative (SBTi) to set emissions reduction targets?**

**J.F.:** We considered it essential that our climate approach be based on available scientific recommendations, in order to adequately contribute to collective efforts to combat global warming.

In this context, the Science-Based Targets initiative was already recognized as a benchmark in terms of supporting companies in the more rational use of resources. This is why we chose to join the movement initiated by the SBTi in February 2022, with the aim of contributing to achieving carbon neutrality on a global scale by 2050. We submitted all of our climate commitments for review to the SBTi at the end of 2023, and expect to receive feedback during the first half of 2024. This should enable us to consolidate the actions we carry out on a daily basis, together with our ambitions for the future.

**How does Lactalis intend to strengthen its commitment to combating global warming in the coming years?**

**J.F.:** In addition to defining our own climate strategy, it is essential that we first ensure that the various commitments are fully rolled out. This involves structuring the approach internally: strengthening governance, raising awareness and training the relevant stakeholders, without forgetting of course to regularly update and improve our various roadmaps. To ensure the responsible growth of the company, we are aware that we will also need to actively and effectively engage all players in our value chain. Together, we can do a lot!

**5.2.2 INDUSTRIAL SITES AND ADJOINING WAREHOUSES**

**ACTION PLAN AND RESULTS**

Scopes 1 and 2 emissions from industrial sites and their warehouses, as well as from logistics, represent 6% of Lactalis’ carbon footprint.

The climate action roadmap for industrial sites and their warehouses is based on the short- and long-term areas for action proposed by the group.

The group implements an energy management policy based on three principles: sobriety, efficiency, and transition to low-carbon energies.

Lactalis’ main areas of work are as follows:

- reducing energy consumption by implementing equipment and processes and by deploying energy recovery systems in all their forms;
- recovery of energy losses from energy transformation processes (electricity, gas, heat, cooling) in order to use them for other applications;
- increasing the proportion of renewable energies (particularly solar and biomass) in the energy mix;
- implementing on-site conversion projects sites according to Lactalis’ expected performance and objectives.

## 5. PROTECTING THE PLANET AND ITS RESOURCES

The sites must therefore study the possibilities of implementing the following actions, in order of priority:

- improving our operational efficiency through the implementation of best practices in both production and storage;
- transition to less carbon-intensive energy sources that emit fewer particles;
- promoting the transition to renewable energy sources by investing in renewable energy production equipment on site or through the implementation of partnerships for the production of renewable energy on or off site.

A number of projects are being implemented within the group, such as:

- France: at the end of 2023, Lactalis opened the largest solar thermal power plant in the country in Verdun, alongside its partner Newheat, a renewable energy supplier. The 15,000 m<sup>2</sup> of solar panels installed will provide 6% of the heat necessary for the production of whey powder, which should enable a reduction of nearly 1,500 tCO<sub>2</sub>eq per year, *i.e.* 5.1% of the site's annual greenhouse gas emissions;

In 2023, Lactalis also decided to purchase two biomass boilers in Craon and Mayenne, with commissioning scheduled for early 2025. Other biomass boilers are currently being studied for France and Spain;

- Southern Europe: in 2023, the installation of photovoltaic panels was completed at the Granada site in Spain, resulting in an annual reduction of around 1,300 tCO<sub>2</sub>eq, or nearly 10% of the site's annual emissions. A similar operation was also carried out at the Matosinhos site in Portugal, for a reduction of around 200 tCO<sub>2</sub>eq per year, equivalent to 36% of the site's annual emissions;
- Northern Europe: in 2023, the Eschweiler site in Luxembourg replaced a boiler with more efficient equipment. The expected saving following this work is around 1,350 tCO<sub>2</sub>eq per year, *i.e.* approximately 32% of the site's annual emissions;
- North America: in 2023, the Winchester site in Canada finalized the installation of its new boilers. This operation should reduce the site's annual emissions by 6%, *i.e.* a gain of around 1,300 tCO<sub>2</sub>eq per year;
- Africa, Asia, Oceania: in 2023, several studies were launched on the group's sites in South Africa, Australia and Turkey, in order to assess the possibility of installing photovoltaic equipment there by 2025-2026. These studies will continue in 2024.

	<b>2022</b>	<b>2023</b>
Energy consumption (kWh LHV/kg finished products)	0.85	<b>0,82</b>

The reporting scope changed in 2020 and 2023: in 2020 it concerned four countries, in 2021 it concerned six countries, in 2022 it concerned 21 countries and in 2023 it concerned 26 countries (see Methodological note).

### 5.2.3 TRANSPORT AND LOGISTICS

#### ACTION PLAN AND RESULTS

Transport and storage activities are omnipresent in the company's value chain, from the collection of milk at the farm to the last-mile delivery to customers. The teams in charge of logistics are working on a daily basis to reduce the carbon footprint of these activities by optimizing truck loading, reducing distances traveled, and encouraging the use of alternative fuels.

As part of Lactalis' commitment to climate action, the teams in charge of transport activities and vehicle fleets establish roadmaps to cut the greenhouse gas emissions of their activities. To this end, Lactalis has identified four pillars for action:

- driving: sharing of best practices, training in eco-driving, etc.;
- fuel: use of alternative fuels, electric pumps, dual-energy refrigeration units, etc.;
- vehicles: modernization of the vehicle fleet, speed limiters, automatic engine shutdown, etc.;
- transport flows: transport plan, reduction of empty kilometers, on-Board telematics, etc.

The group implements a number of projects for each of these areas, such as:

- driving: in 2023, the deployment of eco-driving training continued in the group's countries. In Bosnia and Herzegovina, training for drivers led to an estimated reduction of approximately 50 tCO<sub>2</sub>eq per year. In Spain, a plan to roll out eco-driving training has begun, with the aim of having been able to train all company vehicle users by the end of 2025;
- fuel & vehicles: in addition to plans to renew and modernize vehicle fleets, several group countries are taking a close interest in the development of alternative fuels and electrification. In Macedonia, commercial diesel vehicles have been gradually replaced by LPG vehicles since 2019, resulting in an annual reduction of around 25 tCO<sub>2</sub>eq at the end of 2023. In South Africa, all in-house refrigerated delivery vehicles were equipped with electric refrigeration units; this action reduced fuel consumption by nearly 250 l per month, *i.e.* a reduction of around 700 kg CO<sub>2</sub>eq per month;
- transport flow: optimizing transport flows is an integral part of the daily logistics profession. In 2023, the logistics teams in Serbia worked on reducing the number of delivery days per week, which resulted in a reduction of around 7% in fuel consumption, *i.e.* 53 tCO<sub>2</sub>eq per year. In the United Kingdom, there have been specific studies on discontinuing the use of buffer warehouses, allowing not only a reduction in the number of miles traveled but also a reduction in delivery times; the expected annual gain following the implementation of this project is nearly 200 tCO<sub>2</sub>eq per year.

## 5.2.4 MILK SUPPLY

### ACTION PLAN AND RESULTS

With milk supply accounting for more than 80% of the group's total carbon footprint, Lactalis is actively working with its partnering farms to reduce GHG emissions at dairy farm level.

In 2023, three main actions can be cited:

#### Building specific climate roadmaps for Lactalis' milk supply (2024-2033)

Since 2021, Lactalis has launched a major project to define specific roadmaps for reducing the GHG emissions associated with its milk supply in 11 pilot countries<sup>(1)</sup>, representing around 70% of its total raw milk collection worldwide.

The Lactalis milk supply teams in these 11 countries were mobilised. First, in 2021, they have measured the carbon footprint of a representative sample of nearly 700 partnering farms. This sample was determined using a sampling methodology set up with the help of experts from Wageningen University in the Netherlands. Carbon footprint measurements were mainly carried out using the Cool Farm Tool (CFT) carbon assessment tool. Developed by the Cool Farm Alliance (CFA), a science-led, not-for-profit membership organisation (comprising companies, NGOs and universities), this tool is internationally recognised and already used by tens of thousands of users in 150 countries. It calculates the carbon footprint of each farm using the International Dairy Federation (IDF) method and numerous input data (volume of milk produced, composition of the dairy herd, grazing time, practices in terms of feeding and manure management, energy consumption, etc.). Since 2021, Lactalis has been an active member of the CFA, contributing to the development of the CFT within the CFA's Beef and Dairy Working Group.

In 2022, the results of these first 700 carbon assessments were analysed in detail to identify the main sources of GHG emissions and the potential levers to reduce them at farm level.

Then, in 2023, these results have been mobilised to define milk supply climate roadmaps for each pilot country. Each roadmap covers the period 2024-2033 and has been defined to be both ambitious and technically feasible; it includes concrete projects aimed at reducing GHG emissions at farm level.

In 2024, Lactalis will launch the first projects of these roadmaps. In addition, the group plans to define similar roadmaps for 9 additional countries<sup>(2)</sup>, based on around 500 carbon assessments performed in these countries in 2023.

#### Supporting partnering farmers to reduce carbon footprint at farm level

In parallel with the definition of Climate roadmaps for the period 2024-2033, the group has already been implementing several concrete projects to support its partnering farmers in reducing their carbon footprint:

- **Raising awareness**

Lactalis believes that one of the first steps in raising farmers' awareness of climate change is to measure their carbon footprint. That's why, in 2023, the group continued and widely extended carbon assessments, in particular using the Cool Farm Tool. Lactalis dairy technicians assessed around 4,000 farmers in the 11 pilot countries (representing around 25% of the direct farms<sup>(3)</sup> in these countries) and around 500 farmers in the 9 additional countries.

In 2024, the group plans to assess around 33% of the direct farms in the 11 pilot countries and to continue rolling out the assessments in the 9 additional countries.

- **Technical support**

Once the on-farm carbon footprints have been measured, Lactalis aims to provide farmers with technical advice to help them implement concrete mitigation actions. This technical advice can be provided to the farmers through different formats. For example:

- in the UK and in Germany, Lactalis have been organising dedicated workshops and webinars on reducing on-farm carbon footprint. These sessions were well attended and have been positively received by the farmers,
- in Italy, in 2022 Lactalis (Parmalat) launched a major project to provide all its partnering farmers with an IT tool (Lact@Farm): a "live" digital platform that can connect existing data (such as herd management, feeding and crop practices) with the volumes of milk daily produced. All this data are compared, analysed and then validated to collect the data needed to measure the carbon footprint of the farm (using Cool Farm Tool) and to calculate key sustainability indicators (KSI) that can be weekly monitored. The result is a decision support system (DSS) that helps farmers optimise their practices and ultimately reduce their carbon footprint. As none of the tools available on the market met the needs of both Parmalat and Italian farmers, Lactalis partnered with the start-up xFarm to develop its own tool. At the end of 2023, 28 Parmalat partnering farmers in Italy were using Lact@Farm powered by xFarm. From now on, Parmalat aims to deploy this tool on 100% of its direct partnering farms by the end of 2026 (with a first milestone of 33% by December 2024).

1) Australia, Belgium, Brazil, Canada, France, Germany, Italy, Spain, Sweden, the United Kingdom, and the United States.

2) Croatia, Czech Republic, Netherlands, Poland, Portugal, Romania, Slovenia, Turkey, South Africa.

3) A farm supplying raw milk to Lactalis is considered as "direct" if a) There is an individual contract between Lactalis and the Farm Manager and/or b) Lactalis can propose to the Farm Manager individually, a plan to improve his farming practices, without having obtained a prior formal agreement of any third party (e.g. a cooperative). Otherwise, the farm is considered as "indirect" (including farms supplying milk to Lactalis via "brokers").

## 5. PROTECTING THE PLANET AND ITS RESOURCES

In addition to technical advice, Lactalis offers its partnering farmers products and equipment to help them reduce their carbon footprint through its agricultural supplies and equipment sales services (calorie-recovery water heaters, pre-cooling systems, feed with optimal omega-3 content, etc.). Farmers benefit from competitive prices, payment facilities, and personalised technical support from the group's dairy technicians. For example:

- in France, Lactalis is working with the company Valorex to promote flax-rich feed products, particularly as part of the Eco-Methane initiative. Flax improves the omega 3 technical index of the dairy herd's ration. It helps to improve the zootechnical performance of the animals (animal health and milk production) and to reduce the herd's greenhouse gas emissions. As part of the Eco-Methane initiative, the milk of farmers using flax-rich feed is analysed monthly. Then, using a mathematical model, the results of these analyses are used to estimate the animals' enteric methane emissions. Since 2022, 120 farmers have joined the Eco-Methane initiative, saving around 1,500 tonnes of CO<sub>2</sub> equivalent.

Lactalis' dairy technicians play a key role in providing technical support to farmers. This is why Lactalis plans to develop a climate training programme specifically for them in 2024. The aim of this programme is to ensure that they are all able to provide farmers with the best possible support in reducing their carbon footprint.

### • Financial support

In addition to technical support, several initiatives have been implemented by the group to reward farmers for their climate change actions:

- in Sweden, Lactalis (Skånemejerier) introduced a new sustainability incentive model in 2023. A small part of the milk price paid to farmers by Lactalis is now linked to farmers' actions on climate, animal welfare and biodiversity. The purpose of the sustainability payment is to create economic incentives for dairy farmers to increase the farm's positive impact on animals, climate and nature, and reduce the negative impact. The model has been developed in close collaboration with representatives of the supplier cooperative Skånemejerier Ekonomisk Förening. A list of on-farm actions across six different focus areas has been defined and each action gives a number of points. The more points the dairy farmers receive, the higher their compensation will be. This new model was officially launched in October 2023 through five physical meetings that brought together almost all of the approximately 290 farmers supplying Lactalis in Sweden. The first payment under the new model was made in November 2023,

- in Germany, in close collaboration with a major client of Lactalis, partnering farmers in the Alpine area receive a financial incentive to reduce their carbon footprint since 2021. As part of a sustainability program, good carbon footprint results (in kg of CO<sub>2</sub>eq/kg of milk) are rewarded with a yearly bonus,
- in France, Lactalis (Lactel) provides financial support to farmers to plant hedges that contribute to carbon sequestration. This initiative was launched in 2019 and concerns all organic farmers who supply Lactel. To date, 45,000 trees have been planted on 122 farms since the project was launched. This initiative will continue and be strengthened in 2024: Lactel has partnered with an external expert in agroforestry to provide technical support to farmers (in addition to the existing financial support),
- in the United States, in 2023 Lactalis (Stonyfield) worked with the National Fish and Wildlife Foundation (NFWF) to obtain a \$10 million grant<sup>(1)</sup> to fund climate-smart manure management projects on dairy farms in Vermont. Vermont is a key sourcing region for Stonyfield's organic milk supply, representing approximately 47% of its milk volumes. The projects funded with this grant are expected to reduce GHG emissions from manure (primarily methane) on participating farms by 30% on average as well as to have co-benefits (including water quality, soil health, and biodiversity).

### Collaborating with stakeholders to improve scientific knowledge and develop innovations to reduce carbon footprint at farm level

- In Italy, Lactalis (Parmalat) designed and conducted, in collaboration with the company DSM and the Università Cattolica del Sacro Cuore (in Piacenza), two on-farm trials to confirm the efficacy of Bovaer®, a methane-reducing feed supplement. Previous studies have shown that this supplement can reduce enteric methane emissions by up to 30%. The trials conducted in 2022 at CERZOO (the dairy farm of the Università Cattolica) measured the effective impact of this supplement when it is used in a "typical" Italian dairy cow ration rich in corn silage. In addition, these trials aimed to investigate any secondary impacts, particularly in terms of animal welfare and milk quality. The final results were analysed and discussed in 2023: at the recommended minimum dose, Bovaer® reduced enteric methane emissions by 44 to 50 percent while maintaining milk production and composition, milk fatty acid profile, animal health and welfare, and feed efficiency.

1) Regional Conservation Partnership Program (RCPP), United States Department of Agriculture.

## 5. PROTECTING THE PLANET AND ITS RESOURCES

- In the United States, Lactalis (Stonyfield) is leading a project to measure soil carbon baselines on farms in their direct supply and identify land management practices with a measurable impact on reducing each farm's carbon footprint. In 2023, Lactalis worked with a research partner (The Soil Inventory Project) to complete intensive soil sampling on over 5,000 acres (approximately 2,000 hectares) in their supply. The sample results are combined with management history data to support modelling a soil carbon baseline and field GHG emissions through a partnership with Regrow. This combined approach of sampling and modelling will help to improve Stonyfield's milk emission factor, identify practices with a measurable impact on either increasing soil carbon sequestration or reducing field nitrous oxide emissions and, in the medium term, support Lactalis (Stonyfield) in developing an incentive program to compensate farmers for adopting new practices.
- Lastly, at group level, Lactalis initiated a new partnership in 2023 with experts from Wageningen University (based in the Netherlands) to assess solutions to reduce GHG emissions at farm level (e.g. feed additives, manure additives, probiotics, etc.). Innovative solutions can play a major role in reducing the carbon footprint of dairy farms and Lactalis is already experimenting some of them (see example above in Italy). However, more and more solutions are emerging, and they are not all at the same stage of maturity. The objective of the new partnership with Wageningen University is to increase Lactalis' knowledge of the solutions available and to determine which of them should be tested further (for effectiveness, potential side effects, etc.) and which have sufficient scientific support to be implemented in the short term.



**Serge Moly,**  
Directeur  
des Approvisionnements  
Lait Groupe

### Milk supply accounts for more than 80% of Lactalis' total carbon footprint. What were the main achievements in 2023?

**S.M.:** I think 2023 was a key year with the official launch of our Milk Supply Climate Initiative at group level. We had already initiated several projects in the past. But in 2023 we decided to take a step back and build a global approach: we defined the roadmaps that will guide our actions for the next 10 years.

I am proud of the work done by the milk supply teams in the 11 pilot countries. Based on the analysis of the nearly 700 carbon assessments carried out in 2021 and on an extensive literature review, they have developed a significant expertise on dairy farm GHG emissions. This has enabled us to identify rooms for improvement at farm level and several potential projects for the group. It's only a first step, but it helps us to prepare for the future.

### Speaking of the future, what are your priorities for 2024?

**S.M.:** Lactalis collects milk in around fifty countries, from farms with very different production systems. This is a strength: we are able to identify good practices and, where appropriate, disseminate them as widely as possible.

Firstly, the detailed analysis of the carbon footprints of the 700 farms assessed in 2021 has allowed us to identify real areas for optimisation. Indeed, there are technical levers (e.g. in herd management, feed management or manure management) that can simultaneously reduce GHG emissions and improve the economic performance of farms.

The priority for 2024 is to initiate a process of continuous improvement with our partnering farmers by communicating widely on these areas for optimisation. In the short term, in the 11 pilot countries, we therefore plan to:

- train all our dairy technicians on climate issues. As our technicians are in direct contact with farmers, it is essential that they have an excellent understanding of these issues and are able to provide effective support to farmers in reducing their carbon footprint;
- set up pilot farms to demonstrate the technical feasibility and economic benefits of optimisation practices, so that they can be disseminated as widely as possible.

### 5.2.5 NON-AGRICULTURAL SUPPLY CHAIN

#### ACTION PLAN AND RESULTS

To build its approach to reducing emissions related to scope 3 Non-FLAG, Lactalis has selected its 1,000 suppliers that contribute the most in terms of emissions, and assessed them on their maturity and their climate trajectory by 2050.

To this end, a working group made up of the CSR, purchasing, equipment and transport & logistics teams worked on the development of a questionnaire focusing on suppliers' emissions data, their climate strategies and their action plans.

At the end of this first consultation, nearly 20% of suppliers appeared to be mature on the subject of climate change. The objective over the coming years is to strengthen dialog with suppliers on the subject, in order to best support them in building their climate strategy.

### 5.2.6 PACKAGING

#### ACTION PLAN

Lactalis strives to reduce the emissions associated with the production and use of packaging, in direct connection with its policy of promoting a circular economy. As part of this policy, Lactalis favors the circularity of packaging and the integration of recycled materials. When these areas for improvement reach their limits, Lactalis favors the use of certified renewable materials that do not compete with land dedicated to food production.

More specifically, to assess and limit the impact of its packaging on the environment, Lactalis is deploying an eco-design tool for packaging in its various subsidiaries. The objective is to assess 100% of current and future packaging solutions for core products, as well as new packaging solutions, by 2025. This tool includes an assessment criterion concerning the greenhouse gas emissions of the various solutions analyzed.

More information on the group's policy on these issues is available in section 5.5 / Promoting the circular economy.



## 5.3 FIGHTING AGAINST DEFORESTATION

### DEFINITION

Forest is an essential ecosystem that offers a multitude of environmental, economic and societal services. This ecosystem helps to maintain biodiversity, regulate the climate and producing clean air. It is an essential agent for water and soil purification, as well as for the retention and replenishment of water resources. Currently, forests are disappearing and degrading at an alarming rate across the globe.

Depending on the region, multiple factors cause deforestation. However, agriculture remains the main driver of deforestation on a global scale. Almost 40% of deforestation in the world is linked to the agricultural production, in particular the cultivation of soybeans, palm oil, cocoa, coffee, wood-based products and cattle farming.

For the smooth running of its operations, Lactalis depends not only on the services that forests can provide, but also on the supply of these raw materials. Thus, the protection of forests is imperative to ensure the long-term success of the company.

### GOVERNANCE

Lactalis has incorporated the fight against deforestation into its Climate strategy. This approach aims to maintain the group's alignment with the evolution of the SBTi framework, and in particular the publication in 2022 of the "Forest, Land and Agriculture Science Based Target Setting Guidance" (FLAG), which provides a standard for setting climate targets for companies in land-intensive sectors.

The implementation of this policy is overseen by the CSR Department, which works in close collaboration with the Purchasing and Milk Supply Departments.

### POLICY

In 2023, Lactalis published its Forest Policy. It is committed to putting an end to the deforestation caused by the use of the main agricultural raw materials associated with the loss of forest area, *i.e.* soybeans, palm oil, virgin paper, firewood, coffee and cocoa, by the end of 2025. This Policy covers the entire Lactalis value chain, *i.e.* both the direct and indirect impact of the group.

The direct impact covers the energy and ingredients purchased and then used in agri-food products and agricultural supplies manufactured by the company. In these categories, Lactalis will work with its suppliers to fight deforestation and achieve three major commitments<sup>(1)</sup>:

- 100% of cocoa, palm oil and coffee will be traced to ensure that they do not contribute to deforestation, or that they are certified according to a defined list of credible standards by the end of 2025;

- 100% of firewood and paper/cardboard will come from plantations dated prior to December 31, 2020, by the end of 2025;
- 100% of the soybean and palm oil used in agri-supply products will be subject to a contractual clause including a no-deforestation clause, or will be traced to ensure that they do not contribute to deforestation or be certified according to a defined list of credible standards by the end of 2025.

The indirect impact covers agricultural raw materials potentially associated with deforestation and used by the company's partnering farmers in animal feed rations. Lactalis collects milk in around 50 countries from hundreds of thousands of farmers. The company wanted to define a different upstream dairy approach, and therefore:

- Lactalis will work with its partnering farmers to encourage them to source from selected feed manufacturers, or to purchase certified feed by the end of 2025;
- by the end of 2025, 100% of the direct volumes of milk collected by the group will be assessed with regard to the risks of deforestation for soybeans and palm oil and their derivatives in animal feed<sup>(2)</sup>.

### ACTION PLAN AND RESULTS

The implementation of the Lactalis Forest Policy is based on the following pillars:

- identifying the exposure of Lactalis activities to the commodities most at risk of deforestation;
- covering volumes consumed by direct purchases and agricultural supplies, through advanced traceability or certificates guaranteeing that they come from a production area that already had this function before December 31, 2020;
- raising awareness among stakeholders, and in particular suppliers and partnering farmers, of the potential impacts of untracked volumes;
- assessing the exposure of partnering farmers to deforestation through soybeans and palm oil in animal feed;
- dialogue with non-governmental organizations and other pre-competitive platforms to improve the collective identification of volumes at risk of deforestation/conversion.

In accordance with its transparency approach, Lactalis annually publishes its progress on the fight against deforestation through the RSPO Annual Communication on Progress (ACOP) and the CDP Forest questionnaire.

1) These commitments, excluding Egypt, include ingredients of ingredients, unless otherwise indicated, and are co-manufactured on behalf of Lactalis at this stage.  
2) Applies only to Australia, Brazil, the United Kingdom and the United States for countries outside the EU.

5. PROTECTING THE PLANET AND ITS RESOURCES

Prior to the publication of its Forest Policy, Lactalis had already committed to the fight against deforestation, and had made commitments on three commodities: palm oil (and derivatives), soybeans (and derivatives) and paper pulp (paper/cardboard packaging).

In 2023, Lactalis embarked on a conservation program in Indonesia, in partnership with public and private stakeholders. This program aims to support the development of local communities, while protecting HCV (high conservation value) and HCS (high carbon stock) forests, and reducing greenhouse gas emissions through the protection of forests and peatlands.

**Paper pulp**

Lactalis' paper pulp policy is part of the company's Packaging Policy. Thus, to reduce the risk of deforestation related to its paper and cardboard packaging supply chain, Lactalis has committed to ensuring that 100% of its purchases of virgin paper for its packaging is certified as responsibly sourced at the end of 2023 (see methodological note).

Indicator	Base year 2019	2022	2023	Target
Percentage of volumes of virgin paper/ cardboard covered by sustainable certification	81%	82.7%	89.8%	100% by end of 2023

These results reflect the efforts made by the teams to have all supplies certified during 2023. Overall, in 2024, we can expect to reach a figure close to 100%.







**Langlang Tata Buana,**  
Proforest Indonesia  
Director

**Lactalis joined the Sungai Linau Landscape Conservation and Livelihoods Programme in Indonesia in 2023. Could you tell us more?**

**L.T.B.:** The Sungai Linau Landscape Conservation and Livelihoods Programme (SLP) supports community-based land use development. It aims to strengthen village members’ livelihoods, while protecting HCV (high conservation value) and HCS (high carbon stock) forest and reducing greenhouse gas emissions through forest and peat protection.

Proforest has been collaborating with Indonesia’s Peat Restoration Agency (currently Peat & Mangrove Restoration Agency), Cargill, Musim Mas, PepsiCo, Nestle, IFF (International Flavours & Fragrances), APP (Asia Pulp & Paper), DC (Daemeter Consulting), YMI (Yayasan Mitra Insani) on the programme and has welcomed new collaboration with Lactalis starting 2023.

This programme has identified four pillars of activities that comprises of:

- land use planning and management: land tenure assessment, developing forest management plan, supporting village to issue village regulation on peat and forest protection, support village forest in developing their management and monitoring plan including protection of the village forest on the ground;
- conservation activities: develop infrastructure on peat conservation (canal blocking, and Monitoring tower), capacity building on fire management and enhance wellbeing of Village Disaster Resolution Unit, water management, developing forest monitoring framework and response protocol;

- livelihood and economic activities: supporting capacity building on Palm smallholder, creating income generating activities from production landscape waste, Agroforestry; and
- cross-cutting and scale-up activities: stakeholder mapping and engagement across the landscape

**How will this program help the palm oil value chain?**

**L.T.B.:** Since the start of the program in February 2021, we have successfully delivered training on Good Agricultural Practices and Financial Literacy to 457 smallholders. We have also managed to maintain data records for 317 smallholders, impacting a total of 474 land plots, equivalent to 860.20 hectares of Palm. However, there is a discrepancy between the training and data records.

Out of the 457 smallholders, 317 have voluntarily joined the program, permitting Musim Mas team to monitor their productivity and maintain data records (including name, legality status, etc.). Some participants, however, have expressed reservations about sharing confidential information. As our smallholder support program operates on a voluntary basis, we respect the decisions of the smallholders regarding the extent of assistance they wish to receive from the program. Through this training, we aim to halt peat conversion to Palm by increasing productivity through intensification.

Beyond the impact on the supply chain, the programme has also shifted the mindset of villagers to view the forest as areas to be protected and conserved to prevent disasters and as environmental assets for the next generation as opposed to lands to be converted/cleared to productive plantation.

**What are you doing in Sungai Linau in 2024? Next steps?**

**L.T.B.:** In 2024, Proforest will continue the three years implementation plan that includes: Initiating social forestry, upscaling the forest monitoring framework, peat conservation and restoration through coffee agroforestry and develop water management system infrastructures, scaling up and diversify income generating activities.

## 5. PROTECTING THE PLANET AND ITS RESOURCES

### Soybeans

Soybean products used in animal feed may be linked to a risk of deforestation. Since 2021, the group has been working in partnership with the NGO Earthworm Foundation to determine its actual exposure to the risks of deforestation related to animal feed, using an assessment tool. This tool makes it possible to estimate the volumes of products derived from soybeans (and palm) used in feed rations for dairy cows in 11 of the group's largest milk collection countries. With the Earthworm Foundation, Lactalis also measures the traceability of these flows.

By 2025, in eight pilot countries, 100% of direct volumes of raw cow's milk will be assessed on the farm for the volumes and source of the palm and soybean (and their derivatives) used in animal feed. This represents a coverage rate of 45% of the total annual volume of raw milk collected by Lactalis.

For example, in France, Lactalis continued its participation in 2023 (initiated in 2021) in the industrial working group coordinated by the Earthworm Foundation. This forum aims to roll out the concept of "responsible animal feed" in France by supporting demand for "ZDC" (Zero Deforestation-Conversion) soybeans, and by shifting livestock sectors towards greater protein autonomy. In 2023, Lactalis France continued this partnership, by financing the implementation of the ZDC methodology to import ZDC soybeans by cargo ship into France, thanks to the following four steps:

- collect traceability information from the importer and its suppliers to trace the origin of the flow of soybeans from the cargo ship to the production areas;
- assess the risk of deforestation/conversion associated with the volumes of soybeans. The assessment is carried out at two levels: the municipalities where production takes place, and then the farms if the municipalities are at risk. This assessment is made possible thanks to satellite imagery data provided by Agrosatelite, and is done throughout the supply chain, including in mixing areas;
- check the consistency of the information in order to assess the risk for all the soybeans contained in the cargo;
- propose a risk management action plan. The analysis of flows makes it possible to highlight the improvements required, for example in terms of traceability or the management of non-compliance.

### Palm oil

Lactalis is determined to purchase volumes of palm oil and derivatives that are traceable and covered by RSPO Mass Balance or Segregated certifications. Lactalis has been a member of the Roundtable on Sustainable Palm Oil (RSPO) since 2010, and is continually expanding the coverage of its certifications.

The group has defined a roadmap to achieve RSPO certification for its palm oil volumes. This certification guarantees the absence of deforestation, the preservation of peatlands, the protection of human rights, and decent remuneration for plantation workers. Lactalis has set itself the following objectives <sup>(1)</sup>:

- 100% of the palm oil and derivative products purchased by Lactalis in Europe and by SANULAC will be RSPO Segregated certified by December 2023;
- 100% of the palm oil and derivative products purchased will be RSPO Mass Balance or Segregated certified by December 2025;
- 100% of the palm oil and derivative products purchased will be traceable back to the mill by December 2025;
- 100% of direct palm oil suppliers will be RSPO certified by December 2025;
- 100% of direct palm oil suppliers will have completed at least a Sedex self-assessment by December 2025;
- a hotline will be available by 2026. This will make it possible to collect and process reports of practices in the gGroup's palm oil (and derivatives) value chain that are in breach of workers' rights and the rights of local communities, as well as those that are harmful to the environment;
- Lactalis will participate in at least one initiative to support small palm farms each year (starting in 2023);
- Lactalis will participate in at least one initiative to support reforestation each year (starting in 2023).

Lactalis is gradually changing its sourcing of ingredients from palm oil and its derivatives in accordance with its roadmap. This has enabled it to make significant progress towards the objective of 100% of palm oil and derivatives covered by sustainable certification by 2025 <sup>(2)</sup>.

	Base year 2020	2022	2023	Target
Percentage of purchased volumes of palm oil and derivatives covered by sustainable certification (%)	39%	83.3%	87.2%	100% in 2025

1) For all ingredients containing palm oil and derivatives labeled as fats used for finished products intended for human and animal consumption manufactured by Lactalis and used for indirect products subcontracted for SANULAC, excluding Egypt and other subcontractors at this stage. All acquisitions since December 2020 excluded at this stage.

2) See methodological note

## 5.4 REDUCING THE WATER FOOTPRINT OF THE GROUP'S PRODUCTS

### DEFINITION

From the production of milk on farms to the downstream management of industrial effluents, including on-site cleaning activities, water management is a strategic focus for Lactalis. The preservation of resources in terms of quantity and quality aims to guarantee business continuity, the quality and safety of the food produced, as well as respect for the needs of local communities and the protection of ecosystems. The impact of climate change requires a specific approach for facilities under significant water stress.

### POLICY

Water is central to the industrial process on the group's sites. It is used:

- in cleaning operations given the public health challenges, Lactalis applies hygiene protocols to all equipment that comes into contact with raw materials and consumable products;
- water is also used to some extent in the manufacturing process (brines, reconstitution of dried ingredients) and in the production of steam to feed the boilers that provide the heat necessary for pasteurization.

As a result, water is one of the five pillars of Lactalis' environmental policy, which sets out the following goals:

- preserve water resources;
- separate, integrate and monitor rainwater, wastewater and sewage networks;
- deploy sufficient means of event containment to treat or contain potentially contaminated water or rainwater;
- do not degrade the quality of the receiving environment, regardless of the type of wastewater discharge or treatment;
- handle, store and use potentially polluting products under appropriate conditions to ensure environmental protection;
- carry out regular inspections, measurements, and corrective actions on the implemented resources.

### ACTION PLAN

#### Optimization of water consumption at production sites

While food safety standards are the same in all countries in which Lactalis operates, optimizing the use of water is a differentiated area for progress, depending on the nature of the finished products and the geographical area.

Generally speaking, the company manages water consumption and discharge at its sites in accordance with the ratios established for each major dairy business line, in line with its industrial culture of raw material management.

The majority of water consumption is attributable to the cleaning of equipment, far ahead of the production of steam to feed the boilers, which is essential for the pasteurization operation, or the manufacturing process itself, which uses water as a raw material in the brines required for preserving products and for reconstituting dried ingredients.

The company thus ensures the implementation of actions focusing in particular on the efficiency of washing cycles and the preventive maintenance of equipment by deploying best practices in all the countries in which it operates. Among these actions, Lactalis calls for the segregation of water uses so as to be able to use different qualities of the resource, notably to enable the recovery of duly treated "cow water" in the cleaning of certain equipment.

Lactalis is also exploring new technologies in order to diversify the range of solutions used, and in particular the recycling of wastewater by osmosis, in countries suffering from drought or water scarcity (e.g. South Africa, India).

#### Industrial wastewater management

Wastewater from cleaning, loaded with organic matter, can have an impact on the natural ecosystem and cannot be discharged into the environment without appropriate prior treatment.

Some of this water can be part of a virtuous circular economy by being recovered in the form of spreading. To achieve this, Lactalis has set up its own wastewater treatment plants that meet demanding treatment standards, enabling it to return the resource to the environment without any negative impact. In light of this challenge, the implementation of high-performance tools and employee training is a major pillar of the company policy, and considerable investments are made in this area.

### RESULTS

	2022	2023
Water withdrawal (L/kg finished products)	5.73	5.78
Wastewater discharge (L/kg finished products)	5.40	5.50

The scope of reporting changed between 2022 and 2023, and five additional countries contributed to the reporting in 2023. The results presented are therefore not directly comparable.

### FRESH WATER CONSUMPTION REDUCTION IN SOUTH AFRICA

The Port Elizabeth plant in South Africa is located in an area close to the sea, and highly subject to drought and water stress. The site carried out a project to install two boreholes and a bespoke borehole water treatment plant in order to be able to upgrade the brackish underground water present in quantity. This water, which contains a significant quantity of chlorides, cannot be used for agriculture consumption or industrial applications in its untreated form.

Thus, by exploiting and treating water from its own boreholes, the Port Elizabeth site has managed to save around 450,000,000 cubic meters of fresh water per year. This represents up to 0.5% of the fresh water distributed by the city, which will now be available for other uses.

This initiative also reduces the site's dependence on the availability of fresh water (from precipitation, rivers and dams).

The impact of these water-saving efforts goes beyond environmental management; it also results in substantial savings. Each year, the factory sees a cost reduction of around 13 million rand, or around 600,000 euros. This highlights not only Lactalis South Africa's commitment to sustainable development, but also the financial benefits derived from responsible water management.



## 5.5 PROMOTING THE CIRCULAR ECONOMY

### 5.5.1 IMPROVING PACKAGING SOLUTIONS

#### DEFINITION

Dairy products are fragile by nature. Packaging has essential functionalities, such as preserving the nutritional and quality and taste of products, food safety, as well as the convenience of use for consumers.

However, packaging can represent a major source of waste. The ways we produce and dispose of packaging can also result in the overconsumption of our planet's scarce natural resources, threatening the environment and biodiversity.

Consequently, in all its geographical areas of operation, Lactalis engages in dialogue with its stakeholders in order to raise awareness and promote innovative solutions for a circular economy for packaging.

#### GOVERNANCE

The Group's Packaging Policy is designed, monitored and adapted by

the Responsible Packaging & Circular Economy Committee. It is composed of internal experts from the most affected Departments including Industrial and R&D, Purchasing, Marketing, Regulatory, Communication and CSR. This work involves regular interactions with a network of internal experts based at the Group's production sites. This Committee proposes strategies and action plans, as well as procedures, methodologies, and tools for their successful implementation.

The Committee's proposals are submitted to a Responsible Packaging & Circular Economy Strategic Committee composed of Directors or Managers of Departments, as well as members of the Group's Management Committee. These are then presented, discussed and approved by Lactalis' Management Committee.

In the countries, the implementation of packaging innovation or renovation projects is led by local working groups responsible for verifying the technical and economic feasibility and implementing the changes. These projects are subject to approval by the Senior Management of each division.

#### POLICY

The Group's Packaging Policy aims to continue to offer nutritional and quality products to consumers through innovation and continuous improvement to find the "Right Packaging." At each stage of the development and use of packaging, and wherever possible in the supply chain, the

company's main objective is to ensure better circularity.

In its efforts to "close the loop," Lactalis has broadened its approach by engaging with all stakeholders through awareness-raising action and partnerships. This approach also makes it possible to better anticipate future regulations.

The Packaging Policy is divided into three pillars:

1. the "Right Packaging": the group seeks the appropriate balance between its desire to reduce packaging and the need to guarantee the preservation, quality, and practicality of products when designing packaging;
2. improved circularity: Lactalis ensures that its packaging is made from safe and sustainable materials, so that they form part of a circularity approach. The company therefore gives priority to the right intensity by removing obstacles to the circularity of packaging and incorporating more recycled materials. When all of these improvement areas reach their limits, the use of certified renewable materials that do not compete with land for food production is the next frontier in limiting the environmental impact of packaging solutions;
3. raising consumer awareness and creating partnerships to close the loop: Lactalis makes its internal and external stakeholders aware of the collective challenge of circularity.

As part of its Packaging Policy, Lactalis has made the following commitments <sup>(1)</sup>:

- 100% of current and future packaging solutions for pillar products and all future packaging solutions for product innovations will be analyzed using an eco-design tool by 2025;
- continuously increase the amount of recycled materials included in packaging <sup>(2)</sup>;
- ensure the recyclability of the group's product packaging through two ambitions:
  - in 2025, move towards packaging that is 100% recyclable by design,
  - in 2033, move towards packaging that is 100% recyclable in practice for countries with an Extended Producer Responsibility (EPR) system;
- 100% of virgin paper used covered by sustainable certification by the end of 2023 <sup>(2)</sup>;
- aim to eliminate PVC from the group's product packaging by 2025<sup>(2)</sup>;

1) Commitments covering 23 of the Group's countries, representing 85% of revenue: France, Canada, Italy, USA, Brazil, Spain, Australia, Turkey, Germany, Sweden, United Kingdom, South Africa, Romania, Russia, Poland, Switzerland, Belgium, Croatia, Portugal, Netherlands, Czech Republic, Slovenia, Ukraine. Revenue reference year: 2019. All acquisitions since December 2019 excluded at this stage. For own brands and private labels for primary, secondary and tertiary packaging, excluding pallets.

2) Commitment across the group. All acquisitions since December 2019 excluded at this stage.

## 5. PROTECTING THE PLANET AND ITS RESOURCES

- 100% of the new packaging graphics for Lactalis' brands to carry information on waste management from 2022, and 100% of packaging to carry information on waste management by 2025;
- set up an information module on Lactalis packaging policy to raise employee awareness from 2023<sup>(2)</sup>;
- promote events such as Global Recycling Day and World Cleanup Day to raise awareness among group employees and stakeholders about waste management<sup>(2)</sup>.

### ACTION PLAN

Lactalis is rolling out an action plan on the three pillars of its Packaging Policy:

#### The "Right Packaging"

The group screens the various packaging options using an eco-design tool to develop and select the "Right Packaging".

Lactalis reduces all unnecessary packaging components that do not contribute to consumer comfort or logistics, and minimizes packaging intensity by reducing the packaging materials used per product.

For instance:

- In Brazil, the PVC labels for plain yogurt pots were replaced by printing in 2023, in line with the commitment to reduce this material in packaging;
- in South Africa, in Kyalami, the elimination of secondary packaging cases resulted in savings of more than 230 metric tons in 2023;
- in the United Kingdom, removing plastic trays in ready-to-sell packaging enabled a saving of 137 metric tons avoided in 2023.

#### Better circularity

To promote circularity, the teams select packaging materials by analyzing their production methods, processing, and their certifications, taking care to avoid any competition with land used for food production.

Lactalis seeks to avoid packaging materials that disrupt local sorting and recycling channels, and is developing the use of recycled materials in its packaging. The company aims to guarantee the recyclability of packaging wherever it is sold and to increase the proportion of packaging effectively recycled "in practice" in accordance with existing local programs.

For instance, in 2023:

- in Turkey, certain cream cheese PS pots have been replaced by PP to simplify recycling flows and reduce the weight of packaging;
- in the Czech Republic, the change of single-material film for cheese slices and the addition of a reclosable film for opening has made it possible not only to increase the efficiency of the packaging and its recyclability, but also to avoid more than 450 metric tons of plastic put on the market during the year;
- in Italy, Certosa's packaging has been changed to be single-material and thus more recyclable.

#### Educating consumers and partnering to close the loop

Lactalis engages in dialogue with consumers by offering clear and innovative sorting instructions for its products.

The group is also involved in local collective projects and platforms to develop sorting and recycling channels through three consortia in France:

- the PS25 consortium, made up of several companies in the dairy sector. It aims to set up a polystyrene (PS) recycling channel in France;
- the FLEX 25 consortium, made up of several companies in the agri-food sector. It aims to develop recycling solution for flexible PE, PP and PO packaging by 2025 and to return to food packaging that meets traceability requirements by 2030;
- the PET 25 consortium, which unites several agri-food companies around the objective of encouraging the development of new rigid, sealed or unsealed packaging technologies. A study phase is underway for the creation of an industrial sector for the recycling of PET household packaging by 2025.

In Italy, Lactalis is participating in the project to develop a recycling channel for opaque white PET;

Since 2019, Lactalis has also offered its employees the opportunity to participate in World Cleanup Day, led by the international NGO Let's do it! World.

In 2023, 3,000 employees and their families in 43 countries took part and collected 30 metric tons of waste. In some countries such as France, this event also made it possible to raise employee awareness of the group's approach through workshops led by internal experts on the packaging policy.

## RESULTS

	Base year 2019	2022	2023	Target
% recycled material/ total material used	30%	31.5%	31.3%	> 30% consolidated group
Metric tons of PVC in packaging	926	803	616	Aim for 0 metric tons in 2025
% of packaging recyclable by design	83.2%	82.5%	83.8%	Aim for 100% in 2025



**Laetitia Bieri,**

Executive Assistant for  
Packaging and  
Environment R&D

**How does the Packaging and Environment R&D Department contribute to Lactalis' CSR approach?**

**L.B.:** The main missions of the Packaging R&D teams are to provide expertise for optimized packaging design, and to be an innovative player. In this context, the Packaging and Environment R&D teams are fully involved in rolling out our CSR approach. The Packaging R&D Department actively participated in defining the Packaging Policy and commitments.

Environmental issues are one of our main concerns, and have been for several years. Our role as Packaging and Environment R&D is to support the group in this circular transition, which consists of producing better, more sustainably and in a way which better respects the environment. In 2019, we developed an in-house tool to easily assess the carbon impact of our packaging and its circularity. The objective was to better understand these environmental criteria and take them into account in our choice of solutions.

Several initiatives have already been launched, and many projects are being studied across the company to roll out the policy and thus reduce the environmental impact of our packaging. For example, we have carried out actions to reduce the weight of packaging, to incorporate more recycled materials into our packaging and to optimize the use of packaging that is more recyclable and recycled.

**What actions has your department launched in 2023 to meet the commitments of Lactalis' Packaging Policy?**

**L.B.:** The major project in 2023 concerning our Packaging Policy was the launch of the eQopack eco-design tool.

The in-house tool was limited. We needed a reliable tool with global data. The eQopack tool was developed in 2021 by recognized experts in Life Cycle Analysis (LCA) (Quantis, a subsidiary of BCG). What is special about this tool is that it is specific to packaging, combining the results of a simplified LCA and circularity indicators. It provides exactly what we need, *i.e.* using scientific data to assess the environmental performance of the group's packaging. The data will allow us to add an additional decision-making criterion to our packaging solutions.

2023 marked a significant turning point with the implementation of the eQopack tool within the Packaging and Environment R&D teams at Lactalis. More than 60 engineers have been trained on this tool. A methodology and guidelines were drafted by the global team in order to harmonize and make the analyses more reliable worldwide. EQopack contacts have been identified in each packaging R&D team to facilitate local roll-outs, and to implement a common language.

We are committed to assessing the environmental performance of the packaging of our flagship products, covering a scope of 23 countries representing 85% of revenue, as well as all new packaging solutions by 2025.

2024 will be a pivotal year, since we plan to perpetuate the use of the tool in our missions. All core products, which together represent more than 250 packaging solutions, will now be subject to an in-depth analysis.

To conclude, eQopack is part of our toolbox and will be used on a daily basis in our packaging developments.

## 5.5.2 COMBATING FOOD WASTE

### DEFINITION

Reducing food loss and waste addresses three issues:

- environmental: on a global scale, this is a major emitter of greenhouse gases, due in part to the energy required to produce, process, preserve, package, and transport food. It also wastes natural resources and water;
- economic;
- ethical and social: food waste is all the more unacceptable in a global context where a significant portion of the population is struggling to feed itself.

Thus, reducing food loss and waste is a key lever for achieving the United Nations Sustainable Development Goals by 2030 and contributing to the Paris Agreement goals on climate action.

### ACTION PLAN

Lactalis is committed to an approach aimed at reducing food loss and waste through several projects led by its subsidiaries or brands, with a view to:

- reducing domestic food waste by working on product shelf life and consumer information;
- optimizing packaging to guarantee product shelf life and freshness, and reduce food waste;
- improving the efficiency of production facilities to minimize food loss and the recovery of food by products;
- employee training on technologies to reduce waste production, guarantee product freshness, and balance supply and demand forecasts to avoid waste;
- the donation of food products to charities.

Several subsidiaries have implemented projects to reduce food waste. For instance:

- in Croatia, Lactalis (Dukat) set up the "Don't Waste Food" project to encourage citizens to reduce their waste. Several initiatives have been launched, including setting up a website bringing together a set of educational content and advice applicable to everyday life, a communications campaign on social media and on the radio, educational workshops and interactive quizzes for adults and schools;
- in France, Lactalis (Lactel) is associated with the National Day for Food Loss and Waste Awareness by offering balanced and anti-waste recipes based on its *Bio et Engagé* (Organic and Committed) range of products;
- in Switzerland (LNPF) and France (Bridélice) some of the group's brands encourage their consumers to use their common sense to decide whether a product is still consumable after the "Best before" date, using the "Often good after" logo, or the words "Before throwing away, look, feel, taste";
- in Belgium, Lactalis (Lactel) works with Too Good To Go and has joined the "Waw Brands" coalition for a world without food waste, based on three objectives:
  - raising employee awareness *via* workshops,
  - raising consumer awareness by sharing anti-waste recipes,
  - saving unsold goods through donations to the Too Good To Go platform.



## 5.6 CARING FOR ANIMALS ALL ALONG OUR VALUE CHAIN

### DEFINITION

As the world's leading dairy group, Lactalis pays special attention to all the animals in its supply chain, in particular to the approximately five million dairy animals (cows, buffalos, sheep and goats) producing the milk the group processes daily.

Lactalis fully recognises and respects them as sentient beings, capable of feeling emotions, that deserve both physical and mental health: contributing to their wellbeing is a responsibility for Lactalis.

Moreover, animal welfare is a cornerstone for the sustainability of the group's activities. Indeed, there is a close link between animal welfare and milk production. For example, a cow needs sufficient access to food and water, sufficient bedding space, good hygiene, etc. to produce high quality milk. Therefore, ensuring animal welfare is part of the daily work of the employees in charge of milk collection, as well as that of the group's partnering farmers.

### GOVERNANCE

Animal welfare governance is organised at three main levels:

- the Board of Directors is responsible for the successful implementation of the Lactalis Animal Welfare Policy;
- the Animal Welfare Committee is in charge of proposing the policy to the Board of Directors, monitoring the actions and the results, and steering common actions. It is composed of Lactalis internal Corporate experts from the main departments concerned by the topic (CSR, Milk Supply and Purchasing). Its work implies regular interactions with a network of Lactalis internal experts based in the group active countries;
- regarding cow's milk, the Country Milk Supply Departments are in charge of implementing actions and reporting (actions and results) to the Animal Welfare Committee. Each Country Milk Supply Department is composed of a Milk Supply Director and may include a Milk Supply CSR Manager and dairy technicians. Regarding eggs and dairy ingredients, global and local buyers are in charge of implementing the group's animal welfare policy. They also report to the Animal Welfare Committee.

### POLICY

Lactalis has published its animal welfare policy. The group aims to apply this policy to all the animals in its supply chain, regardless of the related finished product. The version in force concerns three main products of animal origin in the group's supply chain: raw milk (dairy cows and calves), dairy ingredients (dairy cows and calves) and shell eggs and egg products (laying hens) used as ingredients.

#### Raw milk (dairy cows and calves)

The group has made five main commitments concerning raw cow's milk:

1. **Ensuring that all its partnering farms are not responsible of any acts of animal cruelty and comply with local and international regulations**

Lactalis has zero tolerance regarding animal cruelty and illegal practices. In order to strengthen the internal management of animal mistreatment cases, the group has identified two opportunities for improvement in the medium term:

- training all employees in contact with partnering farms on animal cruelty avoidance,
- formalising an internal procedure to clearly address situations where a Lactalis partnering farm is identified as having engaged in animal cruelty and/or illegal practices;

2. **Enrolling direct partnering farms <sup>(1)</sup> (and indirect ones where possible) in a process of continuous improvement, phasing out the most problematic practices and implementing the best ones**

This continuous improvement process is mainly based on:

- awareness-raising and training actions for both partnering farms and dairy technicians,
- a Lactalis Animal Welfare Assessment Program to identify the areas of improvement of each farm and to recommend the most relevant improvements actions. This program is based on farm assessments every three years, based on measurable criteria to assess compliance with the internationally recognised "Five Freedoms" of animal welfare.

1) A farm supplying raw milk to Lactalis is considered as "direct" if a) There is an individual contract between Lactalis and the Farm Manager and/or b) Lactalis can propose to the Farm Manager individually, a plan to improve his farming practices, without having obtained a prior formal agreement of any third party (e.g. a cooperative). Otherwise, the farm is considered as "indirect" (including farms supplying milk to Lactalis via "brokers").

## 5. PROTECTING THE PLANET AND ITS RESOURCES

As a first step, the group initially focused its efforts on its direct volumes<sup>(1)</sup> in 8 pilot countries<sup>(2)</sup> (representing around 42% of its total raw milk collection worldwide) and on 10 animal welfare topics. Specifically, within these 8 pilot countries, the group is committed to:

- training 100% of its dairy technicians in animal welfare best practices by the end of 2023, through the internationally recognised CowSignals® training programme,
- assessing 100% of its direct volumes by the end of 2025 (2026 in Brazil),
- prioritising its work on the following sensitive topics: tethering, bedding space, calves in groups, access to pasture, effective species-specific environmental enrichment, growth hormones, antibiotics, disbudding/dehorning, tail docking and animal derived proteins in feed;

### 3. Advocating for the implementation, deployment and reinforcement of ambitious national animal welfare standards

The group is engaged to contributing to the development of ambitious national animal welfare standards and regulations. Its objectives are as follows:

- concerning the direct partnering farms, the group aims to collaborate with governments, international organisations, professional federations, industry and other stakeholders to work collectively on some animal welfare issues,
- concerning the indirect partnering farms where the group does not have the possibility to implement the Lactalis Animal Welfare Assessment Program, the aim is that all of them are covered by ambitious national standards and/or regulations.

Since 2021, the group has been an associate partner of the *Welfare Quality Network*, which contributes, on a scientific basis, to the development of international animal welfare standards.

### 4. Collaborating with its stakeholders to improve scientific knowledge and develop innovations on animal welfare

As farm practices change and stakeholders' expectations grow, there is a need to improve scientific knowledge of animal welfare and develop new solutions that are adapted to different production systems.

That is why the group is committed to supporting and participating in research and development projects to improve animal welfare.

### 5. Reporting publicly and annually on its actions and progress

The group is committed to having transparent communication on the fulfilment of the four commitments described above. Each year, the group will publish a Lactalis Animal Welfare Progress Report.

#### Dairy ingredients (dairy cows and calves)

Regarding dairy ingredients other than raw milk (e.g. milk powder), the group's "animal welfare" approach is part of its Responsible Purchasing Policy overseen by the group's Purchasing Department.

In the context of this policy, Lactalis' dairy ingredients suppliers must adhere to two documents:

- the Supplier Code of Conduct, which details the conduct to be adopted with regard to various topics, including animal welfare. This Code of Conduct is sent to suppliers, who are invited to familiarise themselves with it and adhere to these principles. In the event of non-compliance, if the supplier does not implement effective corrective actions, Lactalis may decide to withdraw or discontinue its relationship with the supplier;
- a Food Quality and Safety Charter for ingredients, dairy raw materials and packaging. By signing this charter, suppliers undertake to accept Lactalis audits for validation, assessment and follow-up purposes.

#### Shell eggs and egg products (laying hens)

The group uses shell eggs and egg products as ingredients in several recipes, especially in dairy desserts.

Like for dairy ingredients, the group's "animal welfare" approach on shell eggs and egg products is part of its Responsible Purchasing Policy overseen by the group's Purchasing Department.

In concrete terms, the group has set the following commitments for its sourcing of shell eggs and egg products used as ingredients<sup>(3)</sup>:

- within the European Union, the group has undertaken to stop purchasing shell eggs and egg products that use caged farming systems ("Code 3") since 2021;
- worldwide, the group has undertaken to stop purchasing shell eggs and egg products that use caged farming systems ("Code 3") by the end of 2025.

1) A volume of collected raw milk is considered as "direct" when coming from a "direct" farm (see previous note). Otherwise, the volume is considered as "indirect" (including volumes coming from "brokers" and "spot milk").

2) Australia, Belgium, Brazil (excluding DPA subsidiary acquired in 2023), France, Italy (excluding Ambrosi subsidiary acquired in 2023), Spain, United Kingdom and United States of America (subsidiaries Lactalis American Group and Lactalis US Yogurt).

3) Excluding purchases of eggs and egg products used by R&D departments.

**ACTION PLAN AND RESULTS**

**Raw milk (dairy cows and calves)**

In 2023, the group has focused its efforts on implementing its Animal Welfare Policy in 11 pilot countries: the 8 pilot countries mentioned above (Australia, Belgium, Brazil, France, Italy, Spain, the United Kingdom and the United States) and Germany, Canada and Sweden, where Lactalis only collects indirect volumes.

• **Training of dairy technicians on animal welfare**

In collaboration with the CowSignals® Training Company (based in the Netherlands), the group has set up a one-and-a-half day training programme for its dairy technicians. This programme combines a digital module, a classroom session and a workshop on a dairy farm with a CowSignals® Master (internal or external expert).

In 2023, approximately 140 dairy technicians received the CowSignals® training, bringing the total number of technicians trained to around 190 since the initiative was launched in 2021. As planned, all of the dairy technicians in the 8 pilot countries (and more generally in the 11 pilot countries) have now been trained in CowSignals®<sup>(1)</sup>.

As the feedback from technicians on this training programme has been very positive, the group plans to roll it out to 9 additional countries<sup>(2)</sup> in 2024 (i.e. around 60 technicians).



**Joep Driessen,**  
co-founder and owner of  
CowSignals® Training  
Company

**What's the CowSignals® training company?**

**J.D:** We are an independent training organisation specialising in health, welfare and sustainability to secure Happy Cows, Happy Farmers, Happy Planet! I have co-founded the company in 2007 in the Netherlands. We are now active in around 70 countries.

Our main goal is to keep cows healthy by doing the right things at the right time. During a CowSignals® training course, participants learn to recognise cow signals, to identify problems and their solution. We combine all the factors that are important for cow welfare in the daily work with dairy cattle: feed, water, light, air, rest, and space. These 6 factors come together in the CowSignals® Diamond.

By using the CowSignals® Diamond we want to create a more sustainable dairy chain. With our proven methods, cows live a longer healthy life, have more lactations and a higher milk production.

**What does your partnership with Lactalis involve and how does it contribute to the group's sustainability goals?**

**J.D:** We have been working with Lactalis since 2021, first in France and now in about 10 countries. The group approached us to train their dairy technicians in the CowSignals® concept. Lactalis' aim is to improve their skills so that they could better support farmers in improving cow welfare and farm performance.

Together with Lactalis, we have defined the most appropriate approach to deliver CowSignals® training to all the group's dairy technicians around the world. Instead of training the technicians directly, we are training some Lactalis employees to become CowSignals® Masters, who can then train the technicians in their own country and language. In 2023, 16 Lactalis' employees came to our training centre in the Netherlands and received 4 full days of CowSignals® Master training. As licensed CowSignals® Masters, they are now official trainers. They have all the knowledge, skills, and tools to train Lactalis technicians in the CowSignals® concept.

With Lactalis planning to roll out CowSignals® training in 9 additional countries, our collaboration will continue in 2024. We look forward to training new CowSignals® Masters!

1) Except for a few technicians who were absent at the time of the training and will be trained in 2024.  
2) Croatia, Czech Republic, Netherlands, Poland, Portugal, Romania, Slovenia, Turkey, South Africa.

• **Assessment of direct partnering farms on animal welfare**

Since 2021, Lactalis has launched a group initiative to assess the animal welfare of dairy cows and calves in its direct volumes. As there is no single international standard in this area, the group has developed an internal assessment method. This method is inspired from recognised assessment protocols and programmes such as the *Welfare Quality Assessment Protocol for cattle* and has been discussed with international NGOs specialising in animal welfare. It is based on an on-farm visit lasting 2 to 3 hours, during which a Lactalis dairy technician trained for this purpose (or, in rare cases, an external service provider commissioned by Lactalis and trained for this purpose) collects and analyses around 100 items of data.

In 2023, assessments were continued in the 8 pilot countries: around 4,000 farmers were assessed according to the Lactalis internal assessment method, *i.e.* around 25% of the direct farms in these countries. This figure is slightly below the group's expectations in terms of its Animal Welfare Policy (around 33% of direct farmers per year), but it is satisfactory for the first year of effective implementation of this policy; the group is confident in its ability to achieve its commitment to evaluate 100% of direct volumes in the 8 pilot countries by the end of 2025.

In parallel, 9 additional countries were added to the approach in 2023, within which some 500 farms were assessed in order to give a first picture of the average performances in these countries. To ensure that these 500 farms were representative, the group used a sampling methodology set up with the help of experts from Wageningen University in the Netherlands.

In 2024, the group plans to assess around 33% of the direct farms in the 8 pilot countries and to continue rolling out assessments in the 9 additional countries.

• **Assessment of indirect partnering farms on animal welfare**

Regarding its indirect volumes, Lactalis aims to ensure that the animal welfare of dairy cows and calves is regularly assessed, as a minimum, according to ambitious national standards. To this end, the group is using two main levers: on the one hand, it is advocating for ambitious national standards and, on the other, where national standards are less demanding than the group's expectations, it is engaging discussions with its suppliers of indirect volumes (mainly cooperatives) with a view to deploying the Lactalis internal assessment method.

In 2023, the following actions can be cited as examples:

- in Australia, Lactalis contributed to the working group reviewing the feasibility of creating a national industry-agreed animal care assurance program to improve animal health and welfare, and scope what might be included in such a program,

- in Sweden, Lactalis deployed its internal assessment method for 100% of its indirect volumes, with specific features (remote assessment via a dedicated questionnaire).

In total, 69% of the indirect volumes in the 11 pilot countries are now assessed for animal welfare according to the Lactalis internal assessment method or an ambitious national standard.

• **Awareness-raising and training of partnering farms on animal welfare**

Lactalis Country Milk Supply Departments regularly carry out various animal welfare awareness-raising and/or training actions for partnering farms, regarding both direct and indirect volumes. These actions can take many different forms and cover the various sensitive topics relating to the welfare of dairy cows and calves.

In 2023, the following actions can be cited as examples:

- in Spain, the group produced and distributed (to around 90% of direct partnering farms at this stage) a technical guide on recognised best practices for calf disbudding,
- in France, Lactalis offered training courses on the same topic ("Disbudding with pain management"). These courses were run by veterinarians who taught farmers the best practices to perform on-farm disbudding. Since 2022, 9 training courses held, representing a total of 75 farmers trained. Following these courses, most farmers change their practices,
- in the UK, the group organised two expert veterinary-led on-farm workshops on mobility scoring (RoMS) as a tool to reduce lameness (21 participants) as well as two expert veterinary-led meetings and two on-farm workshops on understanding and treating mastitis (36 participants),
- in Germany, in order to provide as many farmers as possible with information on how to sensibly reduce the use of antibiotics, the group created a workshop video in a modern podcast version, which is accessible to 100% of the farmers who supply milk to Lactalis via a dedicated farmer website. The group has also launched CowSignals® training courses for farmers (25 participants in the first session),
- in Canada, the group co-sponsored, with Dairy Farmers of Canada, the recording and distribution of a bilingual podcast in which the Lactalis local animal welfare expert discusses the importance and benefits associated with more opportunities for movement and exercise for dairy cows. Contributors to the podcast included a very mobilised dairy farmer who is an early adopter of new practices, as well as world-renowned experts on this topic,

## 5. PROTECTING THE PLANET AND ITS RESOURCES

- in Slovenia, the group organised a competition for the "Best Barn / Naj Hlev" (in terms of animal welfare) in order to raise awareness on animal welfare among both farmers and the general public. A dedicated website was developed by Lactalis Slovenia ("Ljubljanske mlekarne") to collect farmer's applications, and a jury of external and internal experts was set up. The jury shortlisted 8 finalists and visited them in person. It then awarded two prizes: "Best barn" and 'Most innovative barn' in terms of animal welfare. At the same time, video reportages were filmed on the 8 finalist farms, and members of the public were invited to vote for the "Champion of the people". The awards ceremony was an opportunity for Lactalis Slovenia to organise a major event on animal welfare. It was introduced by the General Manager of Lactalis in Slovenia, brought together more than 130 representatives of farmers and cooperatives, and received significant media coverage.

- **Collaboration with our stakeholders to improve scientific knowledge and develop innovations on animal welfare**

As farm practices change and stakeholders' expectations grow, Lactalis is committed to improving scientific knowledge and developing new solutions on animal welfare.

For example, in the United States, Lactalis (Stonyfield) has partnered with several farms on Dairy Business Innovation

Centre Grants to bring cow tracking and health monitoring IT systems to the farms. This technology has many benefits for farmers (increasing the efficiency and success of cattle reproduction through heat detection, monitoring eating and grazing times, etc.). Especially on animal welfare, it allows farmers to identify sick animals much faster (due to rumination monitoring) and to intervene with these animals before the cow's health deteriorates any further. In 2023, 3 first farms adopted this IT technology. Lactalis (Stonyfield) provided matching funds for the grants to be accessed and organised two specific on-farm meetings to demonstrate and show the benefits of this technology to other farmers. This has been well received by farmers. Stonyfield therefore plans to support more farms in 2024.

- **Publication of the first Lactalis Animal Welfare Progress Report**

In accordance with one of the commitments of its Animal Welfare Policy, the group published its first progress report on animal welfare in 2023 ("*Lactalis Group Animal Welfare 2021 Progress Report*"). This report provides a first picture (2021 data) of the average performances of the direct farms in the 8 pilot countries, based on around thirty key performance indicators. The group plans to publish the 2022 and 2023 progress reports during 2024. Moreover, an IT tool is currently being developed to speed up the processing of data collected during the on-farm assessments, so that these annual reports can be published more quickly.

	2022	2023	Target
Percentage of dairy technicians in the 8 pilot countries regularly trained in animal welfare using the CowSignals® method (at least once every 3 years)	new indicator	99%	100%
Percentage of direct annual volume of collected raw milk in the 8 pilot countries coming from partnering farms regularly assessed on animal welfare, according to the Lactalis internal assessment method (at least once every 3 years)	new indicator	41%	100% by 2025 (2026 in Brazil)
Percentage of direct annual volume of collected raw milk in the 8 pilot countries coming from partnering farms regularly assessed on animal welfare, according to the Lactalis internal assessment method or an ambitious national standard* (at least once every 3 years)	new calculation method	61%	100% by 2025 (2026 in Brazil)
Percentage of indirect annual volume of collected raw milk in the 11 pilot countries coming from partnering farms regularly assessed on animal welfare, according to the Lactalis internal assessment method or an ambitious national standard* (at least once every 3 years).	new calculation method	69%	/

\* National standards considered ambitious in terms of dairy cow and calf animal welfare: ProAction (Canada), "*Charte des Bonnes Pratiques d'Élevage*" (France), QM-Milch (Germany), ClassyFarm system (Italy), Certificado Welfair (Spain), Red Tractor Assurance scheme (United Kingdom), FARM program (United States).

## 5. PROTECTING THE PLANET AND ITS RESOURCES

### Shell eggs and egg products (laying hens)

For several years now, Lactalis' global and local buyers have been engaged in discussions with suppliers of eggs and egg products used as ingredients by the group to ensure that all volumes purchased come from cage-free systems.

In the European Union, this is now the case for 100% of the volumes.

At global level, the work is still ongoing. In 2023, progress was made in certain countries (for example in Canada, where 100% of volumes have been converted) and other countries

(e.g. Australia and Brazil) have carried out trials to test the feasibility of the conversion. Teams have thus assessed the reliability of supply of cage-free egg products, as well as their microbiology and packaging. However, the overall performance as a percentage was slightly downgraded compared to 2022 due to a differentiated decrease in volumes purchased: the volumes of "cage-free" egg products purchased decreased more sharply than the volumes of "caged" egg products purchased. The group therefore plans to continue these efforts in 2024; the conversion of certain volumes has already been validated (for example in Australia).

	2022	2023	Target
Percentage of annual volume of purchased shell eggs in the EU coming from cage-free systems	100%	100%	100%
Percentage of annual volume of purchased egg products in the EU coming from cage-free systems	99.92%	100%	100%
Percentage of annual volume of purchased shell eggs worldwide* coming from cage-free systems	100%	100%	100% by 2025
Percentage of annual volume of purchased egg products worldwide* coming from cage-free systems	92.31%	91.85%	100% by 2025

\* Excluding Russia and the Marie-Morin Canada subsidiary acquired in 2023.

**SHEEP AND GOAT WELFARE**

Although cow's milk accounts for more than 99% of Lactalis' global raw milk collection, the group also collects sheep's and goat's milk in a few countries (including France, Spain, Greece, and Italy), for which it is also developing policies and actions to promote animal welfare.

For example, in France, which accounts for around 76% of the volume of sheep's and goat's milk collected by Lactalis worldwide, animal welfare is an integral part of the "Culture Lait" initiative.

"Culture Lait" means milk culture. It is the name of Lactalis France's CSR approach to its milk supply. It aims to ensure sustainable milk production and is based on four key principles: respecting animals, preserving nature, guaranteeing quality, and strengthening the relationship with farmers. Originally developed for cow's milk, this continuous improvement approach has gradually been extended to sheep's and goat's milk.

In 2023, Lactalis France has carried out several actions to promote the welfare of sheep and goats:

- regarding sheep, Lactalis has formalised and officially launched its "Culture Lait Brebis" initiative. As part of this initiative, Lactalis aims to assess all its partnering farmers on animal welfare by the end of 2030. This assessment will be based on national guidelines and tools ("*France Brebis Laitière*" charter and "*Cmoubiene*" project) and on a specific Lactalis grid. In 2024, Lactalis will train all its sheep technicians to carry out animal welfare assessments so that they can do so from 2025;
- regarding goats, Lactalis has developed a diagnostic grid for animal welfare and milk quality. This grid was discussed with partnering farmers and an NGO specialising in animal welfare. The goat technicians have been trained to carry out the diagnostics and an IT tool has been developed for this purpose. Lactalis now plans to roll out the diagnostics to 100% of goat farmers by the end of 2026.



# 6. VIGILANCE PLAN 2023

## 6.1 INTRODUCTION

Created in 1933 by André Besnier in Laval, Lactalis has been a family business for three generations. Lactalis has been developing dairy and cheese know-how since the company was founded, strengthening this expertise as it has grown. It offers consumers a wide range of dairy products in all categories: cheeses, fluid milk, yogurts, chilled dairy products, butter and cream, powdered formula and milk for infants and adults, clinical nutrition products, and dairy ingredients.

As a major player in the dairy industry, Lactalis has an important responsibility for the proper conduct of business and affirms its desire to act in compliance with the laws and regulations in force, and in particular the law of March 27, 2017 on the duty of care of parent companies.

## 6.2 GOVERNANCE

The vigilance plan is defined and coordinated by a working group in charge of vigilance, comprising the CSR Department, the Legal Affairs Department (including the Compliance Department) and a representative of the Group Audit Department. Lactalis works on vigilance in collaboration with various company departments, including Group Purchasing, Energy & Environment, Health & Safety, Food Quality & Safety, and Human Resources, among others.

A Strategic Committee dedicated to vigilance oversees the updates to the vigilance plan and the monitoring of its results. The Strategic Committee is composed of the Quality and CSR General Manager and the Group Director of Legal Affairs.

The group's Management Committee is responsible for approving the group's vigilance plan and the annual reporting thereon.

Operationally, vigilance is governed at two levels:

- the central functions, such as the Health & Safety Department, the Energy & Environment Department, the Human Resources Department, the Food Quality & Safety Department and the Milk Supply Department, as well as the Group Purchasing Department are, with the CSR and Compliance teams, responsible for:
  - the mapping of risks related to human rights, Health and Safety, and the environment,
  - the definition of due diligence and risk assessment actions,
  - monitoring vigilance in their activities;
- the countries and divisions oversee the roll-out of the vigilance plan at the local level.

The Group Compliance Committee, composed of members of the Legal Affairs Department (including the Compliance Department) and the Group Audit Department, oversees the management of reports logged *via* the group's whistleblowing system.

## 6.3 SCOPE OF THE VIGILANCE PLAN

All Lactalis group companies must implement this vigilance plan.

Lactalis identifies risks and prevents any serious violation of human rights and fundamental freedoms, human Health and Safety, the environment or animal welfare that could result from:

- its activities or those of its subsidiaries;
- the activities of its suppliers;
- the activities of its subcontractors.



## 6.4 DIALOGUE WITH STAKEHOLDERS

Lactalis is committed to collectively preparing the future of the dairy sector and its supply chains, in a spirit of co-construction and dialogue with stakeholders.

In most of the countries in which Lactalis operates, the company is a member of various federations, professional organizations, and advisory bodies (e.g. ANIA - French National Association of Food Industries; ATLA - Association of French Dairy Processing; EDA - European Dairy Association; IDF - International Dairy Federation) which work to develop demanding, qualitative, and sustainable production standards.

Maintaining close, honest, and transparent dialogue with stakeholders is essential to the conduct of the group's activities and the achievement of its objectives. Lactalis maintains frequent dialogue with:

- employees, employee representative bodies and trade union representatives;
- consumers;
- customers;
- federations, associations, and NGOs;
- farmers;
- suppliers.



## 6.5 MAPPING OF RISKS RELATED TO HUMAN RIGHTS, THE ENVIRONMENT, AND HEALTH AND SAFETY

### 6.5.1 IDENTIFICATION AND PRIORITIZATION OF CSR RISKS

Lactalis has identified the risks related to human rights and fundamental freedoms, the Health and Safety of people and, the environment in the course of its activities.

The methodology used incorporates:

- international standards and guidelines (GRI, ISO 26000);
- a study of CSR matters in the food and dairy sector;
- the expectations expressed in the CSR questionnaires received by Lactalis;

- the materiality analysis conducted in 2020: Lactalis carried out a vast consultation campaign with more than 175 internal and external stakeholders in 14 of its largest countries to obtain their views on the main impacts of the group’s activities (see section 2.4 / Main CSR challenges and risks).

Following the materiality analysis, a prioritization of the issues according to the group’s impact and maturity levels was prepared internally which made it possible to define the priority issues.

The CSR risks related to the priority issues that could impact human rights and fundamental freedoms, the Health and Safety of people, and the environment are as follows:

Priority issue	Identification of risks related to human rights, the environment and health & safety
<b>Health &amp; Safety</b>	The Health and Safety of employees is recognized as a human right and is also part of the UN Sustainable Development Goals. Negligence on the part of the company in terms of health & safety protection at work could result in occupational injuries or diseases for employees or external workers.
<b>Human resources and social issues</b>	In the group’s own activities, non-compliance with the group’s Human Resources policies could lead to situations of discrimination or non-respect of freedom of association. Through their supplies, players in the value chains of certain raw materials could resort to practices that violate human rights.
<b>Food safety</b>	Any breach of food safety can present serious health risks to consumers. At each stage of product production, failure to comply with hygiene standards or product health controls can have serious impacts on consumers.
<b>Water, energy and GHG emissions (scopes 1 and 2)</b>	The group’s activities may give rise to environmental risks, notably related to the use of water and energy. Failure to address environmental issues related to water, energy, and greenhouse gas emissions could therefore present a risk to the preservation of resources and the necessary mitigation of global warming.
<b>Responsible packaging and circular economy</b>	Packaging is fundamental for preserving the strictest food quality and safety standards for dairy products, which are fragile by nature. The ways we produce and dispose of packaging result in the overconsumption of natural resources, threatening the environment and biodiversity.
<b>Biodiversity and forests</b>	The group’s supplies of agricultural raw materials may be directly or indirectly linked to a risk of deforestation or the conversion of natural areas, having an unfavorable impact on biodiversity and ecosystems.
<b>Safety and sustainability of upstream milk production methods</b>	Milk is the key raw material for Lactalis’ activities. While the safety of milk is a key factor in guaranteeing product quality and safety, the group’s consumers and stakeholders are increasingly looking for guarantees of the sustainability of upstream processes. Poor upstream dairy practices could have negative consequences on animal welfare, the environment, and consumer Health and Safety.

## 6.5.2 OPERATIONAL CSR RISK MAPPING

The identification of the group's CSR risks in terms of human rights and fundamental freedoms, Health & Safety, and the environment is broken down into various operational risk mappings.

### MAPPING OF SOCIAL AND HEALTH & SAFETY RISKS WITHIN THE GROUP'S ACTIVITIES

The Group Health & Safety Department has identified and maintains a list of Health & Safety risks, based on the Group's expertise and common to all countries. Lactalis has also defined a risk analysis methodology, which is currently being rolled out. Throughout Lactalis, all sites, warehouses and offices must carry out a Health & Safety risk analysis at their own level.

In addition, the group's Health & Safety Department has defined a mapping of the group's Health & Safety risks. This mapping covers the assessment of site risks based on accident results and the results of the group's Health & Safety audits. This assessment system is then used to define the group's annual Health and Safety audit plan and priority actions. The risk mapping is regularly updated.

With regard to social risks, the Group Social Relations Department has set up an international working group with 10 countries to identify the main issues concerning social relations, and assess the quality of local social dialogue. The objective is to:

- identify social irritants, risks related in particular to social dialogue and social relations on warehouse and site shop floors. Social irritants can be related to social dialogue, well-being at work or Health and Safety, for example;
- and resolve these social irritants.

The identification of these risks was tested on three pilot sites in 2022, and rolled out in 2023 in 26 sites and warehouses located in 10 countries.

### FOOD SAFETY RISK MAPPING

Food safety risks can be microbiological, chemical, physical, or allergen-related.

The Group Quality Department, within the Group Quality and CSR Department, updates the analysis of the group's food quality and safety risks.

It maps the level of criticality of sites according to:

- the results of quality audits;
- the rate of consumer complaints;
- laboratory analysis results;
- product withdrawals or recalls.

At the sites, hazard analyses and risk assessments are carried out using the HACCP method: the list of hazards is kept up to date at group level through scientific monitoring and communicated to the production sites. Each site is required to adapt this list of hazards based on site-specific characteristics and local requirements and specificities.

The likelihood of occurrence and the severity rate are assessed for each identified hazard and the severity rate are mapped on each site.

### MAPPING OF ENVIRONMENTAL RISKS WITHIN THE GROUP'S ACTIVITIES

The Group's Energy & Environment Department analyzes Lactalis' environmental risks. The following priority facilities have been identified with regard to environmental risks:

- boilers;
- refrigeration facilities;
- wastewater treatment plants.

For these facilities, the Group's Energy & Environment Department regularly assesses and updates the following criteria: facility capacity, age, compliance, and the frequency and severity levels of risks related to the facility. Each criterion is assessed according to a rating system created by Lactalis, which enables the creation of a criticality matrix.

The level of criticality derived from the matrix enables the group to determine its environmental action plan. Environmental action plans are defined with local teams.

The assessment of the group's environmental risks supplements:

- the assessment of regulatory compliance required by local regulations;
- the environmental analysis carried out on sites where an environmental management system is in place (e.g. ISO 14001).

### SUPPLY CHAIN RISK MAPPING (EXCLUDING MILK SUPPLY)

Following the identification of the group's CSR risks, Lactalis carried out a CSR risk mapping dedicated to its supply chains.

The environmental, social, and governance risks specific to its upstream value chain, excluding milk supply, were assessed by internal experts for all purchasing categories.

6. VIGILANCE PLAN 2023

The following table describes the environmental, social, and governance risks assessed for each category of purchasing:

<b>Risk category</b>	<b>Risks</b>	<b>Description of CSR risks</b>
Environmental risk	GHG emissions	Risks related to greenhouse gas emissions (volume and intensity), directly (scope 1) or indirectly (scopes 2 and 3)
Environmental risk	Other air emissions	Risks related to emissions of other greenhouse gases: nitrogen oxides (NO <sub>x</sub> ), sulfur oxides (SO <sub>x</sub> ) and other significant atmospheric emissions
Environmental risk	Biodiversity and living natural resources	Risks related to the significant impacts of activities, products, and services on biodiversity, the preservation of habitats/ecosystems, and the livelihoods of local populations
Environmental risk	Land use	Risks related to land acquisition, restrictions on land use, and the involuntary displacement or forced eviction of local populations
Environmental risk	Water and liquid waste	Risks related to the volumes of water consumption and discharges
Environmental risk	Industrial waste	Risks related to industrial waste management: transportation, disposal methods, recycling, and traceability
Environmental risk	Fossil materials/resources	Risks related to packaging (non-renewable)
Environmental risk	Non-recycled materials/waste	Risks related to the disposal of packaging (non-recyclable)
Environmental risk	Materials/recycling constraints	Risks related to the disposal of packaging (constraints on recycling channels and processes)
Environmental risk	Chemical pollution	Risks related to the use of chemical products and their potential impact on the environment
Environmental risk	Pesticides	Risks related to the use of pesticides, product formulations, compliance with restrictions and prohibitions, compliance with use protocols and monitoring documents, potential residues in products (human health) or in the environment (environmental health)
Environmental risk	Animal welfare	Risks related to animal husbandry practices (hygiene, health and pain, food, comfort, ability to express natural behaviors)
Social and governance risks	Business ethics	Risks related to corruption, anti-competition practices, antitrust, tax management, non-transparency, or money laundering
Social and governance risks	Human rights	Risks related to freedom of association and collective bargaining, child labor, forced or compulsory labor, rights of indigenous peoples, and discrimination
Social and governance risks	Food safety	Risks related to the assessment of the impacts of product and service categories on Health and Safety, as well as traceability
Social and governance risks	Working conditions	Risks related to working conditions throughout the supply chain and subcontractors
Social and governance risks	Health & Safety	Risks related to the Health and Safety of people throughout the supply chain and subcontractors
Other	Regulatory constraints	Risks related to future CSR regulations that could impact the goods or services purchased

When a risk is identified for a category of purchases, it is rated according to several criteria:

- significance of the risk for the product category;
- level of risk management at Lactalis.

The final risk rating corresponds to the sum of the scores obtained for each criterion. The final rating of the purchasing category is the sum of its risk ratings.

The level of risk was cross-referenced with the volume of purchases to determine the priority purchasing categories. For each priority purchasing category, Lactalis defines an action plan to assess and mitigate the risk identified.

Since the end of 2023, Lactalis has been an active member of the Sedex (Supplier Ethical Data Exchange) platform. Lactalis plans to strengthen its risk mapping within its supply chain in 2024 using this tool.

In the specific case of the environmental risk related to biodiversity and living natural resources, Lactalis has assessed the risks related to deforestation. For this, a risk analysis method based on three criteria was implemented, in accordance with the method recommended by the IUCN Biodiversity Guidelines:

- the severity of the risk: some crops are more at risk of being planted on deforested plots (soybeans, oil palm, etc.).

To assess this criterion, Lactalis refers to reports from NGOs such as WWF as well as studies commissioned by government bodies such as CST Forêt (*Comité Scientifique et Technique Forêt*), for example:

- the scope of the risk, corresponding to the quantity of each commodity used by Lactalis;

To assess this criterion, Lactalis uses the volumes purchased directly and conducts surveys and audits with farmers to better understand its value chain;

- the degree of control, determined according to the number of players between the group's supplier and the commodity producer.

This risk analysis made it possible to determine the group's action plan in terms of deforestation.

### MILK SUPPLY RISK MAPPING

For milk supply, Lactalis has mapped the risks related to:

- animal welfare;
- greenhouse gas emissions;
- and deforestation.

Using the assessment data taken from dairy farm audits in eight pilot countries, this mapping serves as a basis for the construction of animal welfare, climate and deforestation action plans, both at the global level (for example, generalization of farm audits on animal welfare, climate and deforestation), and at the level of the group's various countries, which includes the main risks related to their national sector.

## 6.6 REGULAR ASSESSMENT MEASURES

### 6.6.1 CSR ASSESSMENT MEASURES FOR THE GROUP AND ITS SUBSIDIARIES

Annual group CSR reporting is carried out and audits are conducted each year by an independent third party to verify the fairness and reliability of the group's consolidated data.

These KPIs (Key Performance Indicators) are presented in Chapters 1 to 5 of this document.

The KPIs linked to the group's vigilance plan are listed in section 6.10.1 / Summary of vigilance indicators.

### 6.6.2 SOCIAL AND HEALTH & SAFETY RISK ASSESSMENT MEASURES WITHIN THE GROUP'S ACTIVITIES

For Lactalis and its subsidiaries, the Group Human Resources and Health & Safety teams have set up specific reports to assess the performance of the group and its subsidiaries on social issues.

Other assessment mechanisms are deployed within the group:

### SOCIAL AUDITS AND HEALTH & SAFETY AUDITS

At the request of its customers, Lactalis may appoint independent and accredited third parties to carry out SMETA audits (Sedex Members Ethical Trade Audit) at its sites. During these audits, the management of Health and Safety at work and respect for human rights are assessed, and corrective measures can be defined.

Health & Safety audits are carried out by the Group Health & Safety Department on the sites and in warehouses. For these audits, the Group Health and Safety Department has developed a group reference framework detailing the minimum Health and Safety requirements, combined with an internal audit grid based on the principles of ISO 45001.

The purpose of these audits is to verify the implementation of the Group Health & Safety policy, occupational Health and Safety procedures, best practices, and compliance with regulatory requirements.

As part of the internal audits conducted within the group, the Group Audit Department verifies the reliability of the social and Health & Safety information transmitted by the entities and refers it to the relevant Business Lines.

### SOCIAL RELATIONS ASSESSMENT

The Group Social Relations Department is creating a social risk assessment project that aims to accurately assess the risks related to social dialogue and social relations, at the level of shop floors (warehouses and production sites), sites, and countries.

In 2022, three pilot sites took part in this project, which was rolled out in 2023 in 26 sites and warehouses located in 10 countries.

On these sites, weekly field visits by site management are organized to identify social irritants in warehouse and on site shop floors. Social irritants can be related to social dialogue, well-being at work, or Health and Safety, for example (see section 3.2.5 / Promoting social dialogue).

These pilot projects will make it possible to closely monitor social risks on sites and to quickly remedy any problems detected.

### EMPLOYEE SURVEYS

An engagement survey is conducted every two years in each country in which Lactalis operates. This enables Lactalis to identify levers for improvement and to feed into action plans relating in particular to well-being at work at the level of each production site, warehouse, and country.

### 6.6.3 FOOD SAFETY ASSESSMENT MEASURES

Good manufacturing practices are the most important prerequisites for food safety. Good practices in terms of hygiene, zoning, cleaning, allergen management, pest control, and food handling contribute significantly to the elimination of hazards relating to pathogens, chemicals, foreign bodies, allergens, and even forgery and terrorism. All these potential hazards must be included in the HACCP study of each site.

Lactalis has developed its own food safety management systems in addition to those it implements based on the ISO 22000, FSSC 22000, IFS, BRC or SQF standards.

At group level, an internal team of experts is responsible for carrying out regular assessments by supporting the sites through advice, training and quality audits, according to Lactalis' specific methodologies.

The sites are audited and prioritized according to their performance and criticality. These audits are carried out in accordance with the group's food safety standards and can be specific to a given theme, if necessary.

At the group's sites, control and analysis plans are implemented to verify the compliance of products with regard to health safety and product regularity.

In addition, internal audits targeting industrial entities are carried out regularly in accordance with the annual audit plan. The aim of these audits, among other things, is to ensure the level of control and compliance of processes related to food safety as well as the proper application of the rules and recommendations issued by the Business Lines.

External audits are also carried out by certification offices to ensure compliance with ISO 22000, FSSC 22000, IFS, BRC or SQF standards.

### 6.6.4 ENVIRONMENTAL RISK ASSESSMENT MEASURES WITHIN THE GROUP'S ACTIVITIES

#### ENVIRONMENTAL AUDITS

At the request of its customers, Lactalis carries out SMETA audits on the Health & Safety, labor law, environment, and business ethics pillars on its production sites. As part of these audits, an independent auditor assesses the site's environmental management process.

In addition, the Group Energy and Environment Department conducts environmental audits on sites processing more than 100,000 liters of equivalent milk per day (representing 70% of industrial sites).

The purpose of these audits is to monitor the application of the group's environmental policy and environmental management procedures, as well as compliance with regulatory requirements. The Group Energy and Environment Department has developed several dedicated internal audit standards, for example, energy audits or audits of wastewater treatment plants.

In addition, the group has set itself targets for ISO 14001 certification:

- 100% of Group sites subject to the Industrial Emission Directive (IED) in Europe will be ISO 14001 certified by the end of 2023;
- sites processing the equivalent of more than 300,000 liters of milk per day, excluding Europe, will be ISO 14001 certified by the end of 2027, in line with the strategy validated by the Group's Industrial Department.

#### ASSESSMENT OF GREENHOUSE GAS EMISSIONS

Lactalis measures its greenhouse gas emissions using the GHG Protocol method. Lactalis focuses primarily on measuring its emissions from its industrial and logistics activities in scopes 1 and 2 in its largest subsidiaries (see 7. / Methodological note).

## PACKAGING IMPACT ASSESSMENT MEASURES

The main environmental impacts of packaging are linked to their production (resources and transformation processes) and their end-of-life disposal.

To assess and limit the impact of its packaging on the environment, in 2023 Lactalis launched an eco-design tool for packaging, with the aim of assessing 100% of its current and future packaging solutions for core products, as well as new packaging solutions by 2025<sup>(1)</sup>. This tool will incorporate lifecycle assessment methodologies.

### 6.6.5 RISK ASSESSMENT MEASURES FOR SUPPLIERS AND SUBCONTRACTORS

#### ASSESSMENT MEASURES FOR SUPPLIERS EXCLUDING MILK SUPPLY

A supplier questionnaire was developed by internal experts and addresses 17 topics, including:

- fluid/environment/waste and energy management;
- supplier management;
- safety;
- ethics.

Lactalis implements measures to assess its suppliers: a dedicated team is responsible for auditing suppliers at group level. The frequency of supplier audits depends on the criticality of suppliers, determined according to food safety criteria.

Corrective actions are requested for each instance of non-compliance identified during the audits. In the event of an unsatisfactory audit result an action plan is defined and implemented by the supplier and is monitored by the Group Supplier Audit team.

To ensure that its supply chain is resilient (non-dairy suppliers), Lactalis has developed a maturity assessment questionnaire on the subject of carbon for 1,000 suppliers. This questionnaire enables Lactalis to assess both the greenhouse gas emissions related to its purchases, but also whether the supplier's carbon trajectory is aligned with the group's trajectory.

#### ASSESSMENT MEASURES FOR MILK SUPPLY

In addition to implementing the reference frameworks developed by the local inter-professional and sectoral organizations of which it is a member, Lactalis has developed the following initiatives in 11 pilot countries<sup>(2)</sup>, representing around 70% of its total raw milk collection worldwide:

- **Assessment of direct partnering farms on animal welfare**

In 2021, Lactalis launched a group approach to assess the animal welfare of dairy cows and calves for its direct volumes collected in 11 pilot countries. As there is no single international standard in this area, the group has developed an internal assessment method. It is inspired by recognized assessment protocols and programs such as the Welfare Quality Assessment Protocol for cattle, and was discussed with international NGOs specializing in animal welfare. It is based on an operational visit of two to three hours during which a Lactalis technician trained for this purpose (or, in rare cases, an external service provider appointed by Lactalis and trained for this purpose) collects and analyzes approximately 100 data items.

- **Assessment of indirect partnering farms on animal welfare.**

Regarding its indirect volumes, Lactalis aims for the animal welfare of dairy cows and calves to be regularly assessed, at the very least, according to ambitious national standards. To this end, the group has called upon two main levers: firstly, advocacy actions in favor of ambitious national standards and secondly, when national standards are lower than the group's expectations, discussions with its suppliers for indirect volumes (mainly from cooperatives) in order to deploy the Lactalis internal assessment method.

- **Climate assessments for direct partnering farms**

Since 2021, Lactalis' Milk Supply teams in 11 countries are actively carrying out carbon footprint measurements in direct dairy farms, mainly using the Cool Farm Tool (CFT) carbon assessment tool. This tool was developed by the Cool Farm Alliance (CFA), a non-profit scientific organization made up of companies, NGOs and universities, and is internationally recognized and already used by tens of thousands of users in 150 countries. It calculates the carbon footprint of each dairy farm using the International Dairy Federation (IDF) method and numerous input data (volume of milk produced, composition of the dairy herd, grazing time, practices in terms of feeding and manure management, energy consumption, etc.) (see section 5.2.4 / Milk supply).

- **Deforestation assessments for direct partnering farms**

Animal welfare assessments also include criteria to measure farm's risk of exposure to deforestation related to soybeans and palm oil derivatives that may be present in livestock feed.

1) Ambition for 23 countries, i.e. 85% of the Lactalis group's production volume. All acquisitions since December 2019 excluded at this stage.

2) Australia, Belgium, Brazil, Canada, France, Germany, Italy, Spain, Sweden, the United Kingdom and the United States.

## 6.7 MITIGATING RISKS AND PREVENTING SERIOUS HARM

Lactalis is a signatory of the United Nations Global Compact. Lactalis respects and promotes these 10 principles.

Lactalis has established policies and processes to exercise its duty of care in all its activities. These policies and processes define the Group's guidelines for the prevention of serious risks to the environment, Health and Safety, and human rights.

### 6.7.1 SOCIAL RISK MITIGATION MEASURES

#### RULES OF PROCEDURE

In France, the rules of procedure establish the rules on Health & Safety and disciplinary measures and reiterate the legal provisions covering sexual harassment and the prevention of sexism. The rules of procedure are displayed at all sites in France.

#### SOCIAL DIALOGUE

Lactalis encourages continuous, simple and close dialogue with employees and union representatives. To contribute to the quality of social relations within all group entities, Lactalis has developed an internal training course on its approach to social dialogue, the "Lactalis Labor and Employees Relations Way," currently being rolled out to local Human Resources Managers.

The group's subsidiaries are invited to set up social dialogue bodies in compliance with local regulations. In addition, a European Social Dialogue Body was set up in 2019 and represents 16 of the group's countries. The aim of this body is to share quantitative information on Lactalis, the levels of activity in each product universe, and the group's medium- and long-term strategic areas of development.

In addition, Lactalis is working on a social risk assessment project that aims to improve social dialogue through weekly meetings at the sites. In 2023, this method was rolled out on 26 sites and warehouses located in 10 countries. The method will continue to be rolled out in 2024.

#### Promoting diversity

The Group Human Resources Department is responsible for developing a Diversity, Equity and Inclusion Policy for the group. As such, a working group made up of internal experts works with external specialists to understand the contexts of the various countries in which Lactalis operates.

An e-learning course on diversity is already available to all employees in France. A digital training course is also being developed for the entire group. An awareness-raising workshop for internal teams was developed by the central HR teams: Lactalis DE&I experience.

Some group subsidiaries have already rolled out a diversity policy, particularly in the United States, Canada, Sweden, and South Africa. These will then be harmonized with the group's diversity policy under development.

#### Gender equality

Lactalis is committed to offering the same opportunities and career development to men and women. Internally, Lactalis monitors a key performance indicator on the proportion of women in leadership positions.

An online reporting platform in the event of non-compliance with non-discrimination laws and regulations is accessible to all.

#### Youth training and employment

Lactalis works to promote the employment of young people. Lactalis monitors the number of opportunities offered to young people aged 30 and under across the group level and is developing partnerships with training institutions.

Lactalis provides special support to its younger employees through training and work-study programs.

For instance, in France since 2002, as part of the I<sup>2</sup>FA program in partnership with the *École Supérieure des Agricultures* (ESA), foreign students from 30 different countries follow a work-study program for two years which enables them to access positions of responsibility within Lactalis' local teams.

In 2021, Lactalis set up a Lactalis Apprenticeship Training Center (CFA) focused on the dairy industry.

#### Disability

Lactalis invests in the reception, integration and job retention of employees with disabilities. Policies and action plans are adapted at national level.

In France, for example, Lactalis has had a Disability agreement in place since 2010 and is working on the following issues:

- preserving jobs and hiring people with disabilities;
- adapting workstations and providing assistance *via* individual devices (hearing aids, adapted shoes, ergonomic seats);
- raising awareness and training: the group's production sites organize awareness-raising actions for all over several days to combat disability-related prejudices;
- working with adapted establishments that welcome workers with disabilities;
- individual support measures: reduced working hours, return to work assistance, etc.

Other initiatives are rolled out by the group's subsidiaries in the countries in which they operate (see section 3.2.3 / Promoting diversity).



## SOCIAL SECURITY COVERAGE

Lactalis has drawn up guidelines enabling its subsidiaries to implement local health and life insurance and retirement measures.

## WELL-BEING AT WORK

Lactalis is developing a global and local approach to well-being at work in order to ensure that the pillars of the national well-being at work policy are consistent with the expectations of its local employees and the cultural sensitivities in the various countries in which it operates.

Lactalis is also in favor of sharing or even replicating certain social innovations that have proven successful in one or more countries.

In France, Lactalis has a national agreement on well-being at work: each operational division must define its own well-being at work policy in accordance with the framework set out in the agreement. Best practices implemented in the divisions are shared and recognized through awards. The human resources teams ensure that the well-being at work policy is in line with the employee expectations at a local level.

In France, some employee representatives of the Health and Safety Commission (within the Social and Economic Committee) are trained as psychological risk officers.

## 6.7.2 MEASURES TO MITIGATE AND PREVENT HEALTH AND SAFETY RISKS

Since 2012, Lactalis has implemented a Health & Safety policy and deploys a group Health & Safety action plan.

For all its employees, Lactalis is committed to a preventive approach that includes the analysis, treatment and reduction of health and safety risks. This approach is based on three interdependent areas:

- the technical pillar concerns specific risks that Lactalis wishes to reduce and control;
- the behavioral pillar, an innovative approach aimed at encouraging employees to adopt preventive behaviors for themselves and their colleagues and to increase vigilance; this approach uses behavioral sciences to foster commitment through managerial leadership and the active participation of all employees;
- the organizational pillar to ensure the management, support and control of risks thanks to a robust management system as well as the development of skills.

This results in the following health and safety improvement plan:

- strengthen the health and safety knowledge, skills and capabilities of all employees;
- help all executives set an example in health and safety and encourage employees to speak out and get involved in the safety program;
- accelerate transformation through digitization, data analysis and innovation promotion at the local level to increase the maturity of health and safety programs;

- develop and implement effective controls for high-risk activities and maintain a safe workplace for all;
- have a positive impact on all stakeholders through effective communications.

The Group Health & Safety Department coordinates a network of country and division Managers and ensures the establishment of a Health & Safety Committee at each management level.

The network of country and division Health & Safety Managers is responsible for conducting regular audits, ensuring the proper implementation of actions to ensure compliance with local regulations and Lactalis standards by each of the sites within their scope, in particular by following the recommendations made following group audits.

Any site with more than 100 employees must have a full-time Health & Safety Manager. In addition, the group's top 25 countries must have a national Health & Safety Manager.

The Health & Safety Managers are responsible for monitoring the group's Health & Safety audit action plans: every six months, the updated action plan is communicated to the group's Health & Safety team. They are also responsible for monitoring the corrective action plans of the SMETA audits, if necessary.

The results of the Health & Safety audits and the accident results are reported to the group's Executive Committee once a year and once a month, respectively. Sites where no accidents have occurred are rewarded and may display a certificate issued by the Group's Health & Safety Department.

To raise employee awareness, Lactalis organizes an international Health and Safety day on a different theme each year.

In France, Lactalis has set up an internal occupational health team responsible for assessing and preventing risks related to employee health.

## 6.7.3 FOOD SAFETY RISK MITIGATION AND PREVENTION MEASURES

Lactalis has set up and rolled out a Quality Policy within the group, which carries a unified vision and formalizes a shared commitment among all employees worldwide.

The Lactalis Quality Policy is based on four main pillars:

1. guarantee healthy and safe products that comply with current regulations and standards;
2. design and improve products to meet the evolving and multiple expectations of consumers in terms of taste, nutritional benefits, respect for the environment, at all stages of life;
3. be efficient and strive for excellence through performance and continuous improvement processes, deployed across all group operations to offer consumers the best value for money;
4. encourage everyone to commit to continuing to develop their expertise, to feel responsible, to work as a team, to collaborate to achieve food safety and quality objectives.

Food safety is the group's primary concern. Each product must comply with all applicable laws and regulations of the country where it is manufactured and marketed.

In order to guarantee a holistic vision in the management of the safety risk of its products, Lactalis ties together a number of prevention measures:

- the strengthening of quality control processes at each stage of production, from the collection of milk to the distribution of finished products;
- staff training and awareness;
- the establishment of a Group Quality Department to coordinate the network of Lactalis Quality Managers. The Quality Managers are in charge of defining, implementing, and updating the hazard control plans resulting from the HACCP analysis in their local area. The Group Quality Department monitors the quality action plans with the local Quality Managers and is responsible for meeting the training needs of the Group's Quality Network;
- regular assessment of raw material suppliers;
- regulatory monitoring and adherence to voluntary compliance processes.

By implementing these measures, Lactalis boosts consumer confidence in the quality and safety of its products.

See section 4.1/ Making food quality and safety an absolute priority, for more information.

### 6.7.4 MEASURES TO MITIGATE AND PREVENT THE ENVIRONMENTAL IMPACTS OF THE GROUP'S ACTIVITIES

Lactalis has disseminated and published its policies and detailed its objectives and ambitions on its priority sustainability matters in terms of environmental protection:

- animal welfare;
- greenhouse gas emissions;
- the fight against deforestation;
- packaging circularity.

These policies, as well as the policy on the use of palm oil, can be consulted on the Lactalis intranet and website.

#### REDUCING THE ENVIRONMENTAL IMPACT AND CARBON FOOTPRINT OF THE GROUP'S ACTIVITIES

To reduce the environmental impact of its activities, Lactalis considers the entire life cycle of its products.

The group's environmental policy defines the principles to be followed at the group's sites.

These principles are as follows:

- compliance with regulations;
- water management;
- atmospheric emissions, with particular attention paid to greenhouse gas emissions and their impact on global warming;
- protecting populations against industrial environmental risks;
- resource management, waste reduction, and soil pollution prevention.

The group's Energy and Environment Department defines and updates the group's environmental procedures and is responsible for providing training on best practices.

A network of Environmental officers is in place in major countries to roll out the group's environmental policy. A reporting tool enables changes in environmental KPIs to be monitored and the implementation of action plans.

#### Reduction of atmospheric emissions

In early 2022, Lactalis committed to setting targets for reducing its greenhouse gas emissions aligned with the recommendations of the Science Based Targets initiative (SBTi). The framework set by this initiative complies with the scientific recommendations of the Paris Agreement to limit the increase in global temperatures to +1.5°C compared to pre-industrial levels. Lactalis is thus working to implement a carbon neutrality approach by 2050.

Lactalis has set itself the following objectives:

- reduce carbon emissions from the group's activities (scopes 1 and 2):

Lactalis has set two milestones, in 2025 and 2033, to reduce its "scope 1" and "scope 2" emissions. These two intermediate targets will help guide our progress towards net zero emissions.

To achieve these objectives, all relevant teams and internal experts have been mobilized. Our main countries and divisions have built clear roadmaps based on shared areas of focus, taking into account their local context and feasibility:

- lead the way in terms of decarbonization across the group's value chain (scope 3):

To meet this objective, Lactalis is working with its partners to find sustainable solutions to transform current production systems. In order to ensure more sustainable production practices, Lactalis engages in partnerships with its farmers and with renowned technical institutes, policymakers, and professional associations to tackle GHG emissions at farm level.

The group's Climate Policy is public and can be accessed from the group website.

#### Energy efficiency and renewable energies

To limit the impact of its industrial activities on the environment and the climate, Lactalis has an energy management policy based on three principles: energy sobriety, energy efficiency, and transition to low-carbon energy sources. Lactalis is increasingly integrating renewable energies (particularly solar and biomass) into its energy mix and encourages its sites to implement conversion projects according to the group's expected performance and objectives.

#### Water management

Lactalis implements actions focusing in particular on the efficiency of washing cycles and the preventive maintenance of equipment by deploying best practices in all the countries in which it operates. Among these actions, Lactalis calls for the segregation of water uses so as to optimize the use of this resource.

Lactalis is also exploring new technologies in order to diversify the range of solutions it uses, and in particular the recycling of wastewater by osmosis, in countries suffering from drought or water scarcity.

**Reduction of industrial pollution, waste and preservation of resources**

Lactalis is working on the substitution of certain hazardous substances and the reduction and recovery of waste in the form of composting and methanization of sewage sludge and the prevention of soil pollution and its treatment.

Through its environmental policy, the Group undertakes to ensure that the quantities of waste generated are reduced as much as possible, sorted at source and recycled through sustainable channels where they exist and, at the very least, are authorized by local administrative services. The Group is also committed to handling, storing and sorting waste under appropriate conditions to ensure environmental protection.

Training dedicated to the environment and energy.

The Group provides and develops a training offer adapted to the experts in charge of these subjects. Training on environmental regulations and responsibility is also available.

**PACKAGING OPTIMIZATION AND WASTE REDUCTION**

For years, packaging has been used for its emblematic values and seen as a symbol of protection and convenience for consumers. Today, they are a major source of waste.

Packaging is fundamental to maintaining the strictest food quality and safety standards applicable to dairy products. Indeed, dairy products are fragile by nature. Packaging makes it possible to offer all the nutritional benefits of dairy products to as many people as possible.

Lactalis favors the circularity of packaging and the integration of recycled materials. When these areas for improvement reach their limits, Lactalis favors the use of certified renewable materials that do not compete with land dedicated to food production.

Lactalis has developed action plans to achieve the following objectives<sup>(1)</sup>:

- 100% of current and future packaging solutions for pillar products and packaging for product innovations screened using an eco-design tool by 2025;
- reduce unnecessary packaging components that do not meet the specifications established for each solution;
- minimize packaging intensity by optimizing the quantities of packaging materials;

- increase the quantity of recycled material included in our packaging, at group level;
- ensure the recyclability of packaging through two ambitions:
  - aim for 100% recyclable packaging by design in 2025,
  - aim for 100% recyclable packaging in practice for countries with an Extended Producer Responsibility scheme;
- ensure 100% of the virgin paper used is covered by a certification by the end of 2023<sup>(2)</sup>;
- elimination of PVC in packaging by 2025<sup>(3)</sup>.

Lactalis raises awareness among its internal and external stakeholders about the issue of the circular economy. In this context, the Lactalis group's ambitions are as follows:

- integrate waste management information in 100% of new graphics from 2022 and on 100% of packaging by 2025<sup>(4)</sup>;
- develop an information module on the Lactalis Packaging Policy so that employees can become ambassadors at group level;
- promote events such as "World Cleanup Day" at group level;
- partner and engage with local collective platforms and projects to develop sorting and recycling systems.

The group's Packaging Policy is public and can be accessed from the group website.

**6.7.5 MITIGATION MEASURES WITHIN THE SUPPLY CHAIN**

**SUPPLIER CODE OF CONDUCT (EXCLUDING MILK SUPPLY)**

The Lactalis Supplier Code of Conduct aims to communicate Lactalis' vision and ambitions to all its suppliers (excluding dairy farmers) and sets out the principles to be followed in order to establish ethical, fair, and sustainable relationships.

The Lactalis Supplier Code of Conduct is based on compliance with:

- the 10 principles of the United Nations Global Compact;
- the United Nations Universal Declaration of Human Rights;

1) Ambition on a set of 23 countries accounting for 85% of Lactalis group revenue in 2019. All acquisitions since December 2019 excluded at this stage.  
 2) Ambition set at Lactalis group level. All acquisitions since December 2019 excluded at this stage.  
 3) Ambition set at Lactalis group level. All acquisitions since December 2019 excluded at this stage.  
 4) Ambition on a set of 23 countries accounting for 85% of Lactalis group revenue in 2019. All acquisitions since December 2019 excluded at this stage.

## 6. VIGILANCE PLAN 2023

- the conventions of the International Labour Organization;
- the OECD Guidelines for Multinational Companies.

This Code of Conduct is sent to suppliers, who are invited to familiarize themselves with it and adhere to these principles. In the event of non-compliance, if the supplier does not implement effective corrective actions, Lactalis may decide to withdraw or discontinue its relationship with the supplier.

Lactalis also rolls out an Ingredients and Dairy Materials Charter: by signing this charter, suppliers undertake to accept Lactalis audits for the purpose of validating and assessing food quality and safety criteria, and follow-up audits.

### Combating climate change in the supply chain

Since 2021, Lactalis has launched major work to define specific roadmaps to reduce the GHG emissions associated with its upstream dairy in 11 pilot countries, representing around 70% of its total raw milk collection worldwide. In addition to defining climate roadmaps for the 2024-2033 period, the group is already implementing several concrete projects to support its farming partners in reducing their carbon footprint:

- Raising awareness
- Technical support
- Financial support
- Collaboration with our stakeholders to improve scientific knowledge and innovate to reduce the carbon footprint of dairy farms

For suppliers other than dairy producers, Lactalis assesses the maturity of 1,000 suppliers on the subject of carbon but also the alignment of their carbon trajectory with the Group's trajectory by means of a questionnaire.

See section 5.2 / Climate action.

### THE FIGHT AGAINST DEFORESTATION

Lactalis is committed to putting an end to deforestation caused by the use of the main agricultural raw materials associated with the loss of forest area, *i.e.* soybeans, palm oil, virgin paper, firewood, coffee and cocoa.

The approach to implementing the Lactalis Forest Policy is based on the following areas:

- identifying the exposure of Lactalis activities to the commodities most at risk of deforestation;
- covering volumes consumed by direct purchases and agricultural supplies, through advanced traceability or certificates guaranteeing that they come from a production area that already had this function before December 31, 2020;

- raising awareness among stakeholders, and in particular suppliers and partnering farmers, of the potential impacts of untracked volumes;
- assessing the exposure of partnering farmers to deforestation through soybeans and palm oil in animal feed;
- dialogue with non-governmental organizations and other pre-competitive platforms to improve the collective identification of volumes at risk of deforestation/conversion.

The group's Forest Policy is public and can be accessed from the group website.

### Palm oil and derivatives

Lactalis is determined to purchase volumes of palm oil and derivatives that are traceable and covered by RSPO Mass Balance or Segregated certifications. Lactalis has been a member of the Round Table on Sustainable Palm Oil (RSPO) since 2010 and is continually expanding the coverage of its certifications.

Lactalis has defined a roadmap to achieve RSPO certification for its palm oil volumes. This certification guarantees the absence of deforestation, the preservation of peatlands, the protection of human rights, and decent remuneration for plantation workers. Lactalis has set itself the following objectives<sup>(1)</sup>:

- 100% of the palm oil and derivative products purchased by Lactalis in Europe and by SANULAC will be RSPO Segregated certified by December 2023;
- 100% of the palm oil and derivative products purchased will be RSPO Mass Balance or Segregated certified by December 2025;
- 100% of the palm oil and derivative products purchased will be traceable back to the mill by December 2025;
- 100% of direct palm oil suppliers will be RSPO certified by December 2025;
- 100% of direct palm oil suppliers will have completed at least a Sedex self-assessment by December 2025;
- a palm oil hotline will be available by 2026;
- Lactalis participates in at least one initiative to support small farms each year (starting in 2023);
- Lactalis participates in at least one initiative to support reforestation each year (starting in 2023).

The group's Palm Oil Policy is public and can be accessed from the group website.

### Paper and cardboard

To reduce the risk of deforestation related to its paper and cardboard packaging supply chain, Lactalis has committed to ensuring that 100% of its purchases of virgin paper for its packaging is certified as responsibly sourced.

1) For all ingredients containing palm oil and derivatives labeled as fats used for finished products intended for human and animal consumption manufactured by Lactalis and designed as indirect products co-manufactured by SANULAC, excluding Egypt and other co-manufacturers at this stage. All acquisitions since 2020 excluded at this stage.

### Animal feed

In 2021, Lactalis signed a partnership with the Earthworm Foundation to determine its actual exposure to the risks of deforestation related to animal feed using an assessment tool. This tool will make it possible to estimate the volumes of products derived from soybeans and palm used in feed rations for dairy cows in 11 of the group's largest milk collection countries. With the Earthworm Foundation, Lactalis also measures the traceability of these flows.

Lactalis has set itself the target, in eight pilot countries, for 100% of its direct volumes of raw cow's milk to be subject to an on-farm assessment based on the volumes and origin of palm and soybeans (and their derivatives) used in animal feed by 2025 (2026 for Brazil).

In Sweden, Lactalis also took part in the Soy Dialogue Initiative to adopt a soybean traceability process: 100% of the soybean used by Swedish farmers will be certified sustainable (RTRS or ProTerra) and will not come from any biodiversity reserve affected by deforestation.

### ENSURING ANIMAL WELFARE

Lactalis has published its animal welfare policy. The group aims to apply it to all animals in its supply chain, regardless of the associated finished product. The version currently in force concerns three products of animal origin in the supply chain: raw milk (dairy cows and calves), dairy ingredients (dairy cows and calves), and shell eggs and egg products used as ingredients (laying hens).

The Group's animal welfare policy is public and can be accessed on the Lactalis group website.

#### Raw milk (dairy cows and calves)

The group has made five main commitments concerning raw cow's milk:

1. ensuring that all its partnering farms are not responsible of any acts of animal cruelty and comply with local and international regulations;
2. enrolling direct partnering farms<sup>(1)</sup> (and indirect ones where possible) in a process of continuous improvement, phasing out the most problematic practices and implementing the best ones;
3. advocating for the implementation, deployment, and reinforcement of ambitious national animal welfare standards;

4. collaborating with its stakeholders to improve scientific knowledge and develop innovations on animal welfare;
5. reporting publicly and annually on its actions and progress.

As a first step, the group initially focused its efforts on its direct volumes in 8 pilot countries (representing around 42% of its total raw milk collection worldwide) and on 10 animal welfare topics. Specifically, within these 8 pilot countries, the group is committed to:

- training 100% of its dairy technicians in animal welfare best practices by the end of 2023, through the internationally recognised CowSignals® training programme;
- assessing 100% of direct volumes by the end of 2025 (2026 in Brazil);
- prioritising its work on the following sensitive topics: tethering, bedding space, calves in groups, access to pasture, effective species-specific environmental enrichment, growth hormones, antibiotics, disbudding/dehorning, tail docking and animal derived proteins in feed;

#### Dairy ingredients (dairy cows and calves), shell eggs and egg products (laying hens)

Lactalis is also vigilant regarding animal welfare for its purchases of products of animal origin, in addition to raw milk. The suppliers concerned must undertake to conduct their activities in accordance with applicable local and international laws and regulations and not to be responsible for any acts of cruelty to animals, whether directly or indirectly. They must also promote the internationally-recognized Five Freedoms for animal welfare, and ensure their respect and preservation for all animals throughout their value chain.

More specifically, Lactalis is committed to ensuring the well-being of laying hens and promoting transparency throughout its supply chain: Lactalis has established dialogue with specialized non-governmental organizations and with its suppliers to play its part in the transition towards cage-free farming.

Lactalis' ambition is as follows:

- within the European Union, the group has undertaken to stop purchasing shell eggs and egg products that use caged farming systems ("Code 3") since 2021;
- worldwide, the group has undertaken to stop purchasing shell eggs and egg products that use caged farming systems ("Code 3") by the end of 2025.

1) A farm supplying raw milk to Lactalis is considered as "direct" if a) there is an individual contract between Lactalis and the Farm Manager and/or b) Lactalis can propose to the Farm Manager, individually, a plan to improve their farming practices without having obtained the prior formal agreement of any third party (e.g. a cooperative). In all other cases, the farm is considered as "indirect" (this includes in particular the farms delivering milk to Lactalis via brokers).

## 6.8 WHISTLEBLOWING SYSTEM

The Lactalis reporting platform (“Lact@lert”) enables employees and external stakeholders to report any situation that is against the law through a secure platform: violation of human rights, fundamental freedoms, occupational Health and Safety, the environment, food safety, and hygiene rules, among others.

These reports are collected directly by the Group Compliance Committee, which examines them in a strictly confidential manner, in accordance with its rules of procedure.

The reporting platform is available on the group’s website and at the following address:

<https://www.bkms-system.com/Lactalis>

## 6.9 MONITORING MEASURES AND ASSESSING THEIR EFFICACY

Lactalis deploys the Vigilance Plan in each group subsidiary.

As stated previously, Lactalis has set up a dedicated reporting and monitoring process for the various vigilance-related issues.

The group’s CSR Department maintains a CSR dashboard that details the sustainability performance of the operating divisions using KPIs on three priority topics for the group (climate, animal welfare, packaging) as well as palm oil. The CSR dashboard also assesses the construction and alignment of national roadmaps with the group’s objectives. It is presented every year to the Group’s Management Committee.

In addition to the CSR dashboard, Lactalis monitors KPIs to assess the effectiveness of the measures. These KPIs are presented to the Strategic Committee in charge of vigilance and are also included in the vigilance plan report.

Thanks to the governance in place (see section 6.2 / Governance), the Strategic Vigilance Committee will monitor the effectiveness of actions and may request adjustments if necessary.



## 6.10 REPORT ON THE 2023 VIGILANCE PLAN

### 6.10.1 SUMMARY OF VIGILANCE INDICATORS

Lactalis has set up a dedicated reporting and monitoring process for the various issues related to its duty of care. The central Departments carry out awareness-raising and support work with the group's various subsidiaries to ensure that vigilance measures are understood, applied, and monitored throughout Lactalis.

Below are the indicators for 2023 relating to risks identified by Lactalis in the context of the implementation of the vigilance plan in the group's activities and with regard to its suppliers:

Issue	Indicators <sup>(1)</sup>	2022	2023
<b>Health and Safety within the Group's activities</b>	Number of personal Health and Safety audits carried out	31	9
	Percentage of women in leadership positions	26.7%	28.2%
<b>Social issues within the Group's activities</b>	Percentage of HR advisors trained in the "Lactalis Labor and Employee Relations Way"	60.6%	67%
	Number of professional opportunities for young people under 30	7,855	8,328
<b>Food Quality and Safety</b>	Number of Group Quality audits	60	103
	Number of advisory visits	70 physical and 3 remote advisory visits	62
	Percentage of industrial activities certified according to at least 1 of the 5 ISO 22000, FSSC 22000, IFS, BRC, SQF certificates	83%	85%
	Percentage of purchased volumes of palm oil and derivatives covered by sustainable certification	83.3%	87.2%
<b>Issues related to suppliers and subcontractors</b>	Number of suppliers audited by the Lactalis Supplier Audit team	150	343
	Number of subcontractors audited by the Lactalis Supplier Audit team	68	160
	Percentage of direct annual volume of collected raw milk in the 8 pilot countries coming from partnering farms regularly assessed on animal welfare, according to the Lactalis internal assessment method or an ambitious national standard (at least once every 3 years)	/	61%
	Percentage of indirect annual volume of collected raw milk in the 11 pilot countries coming from partnering farms regularly assessed on animal welfare, according to the Lactalis internal assessment method or an ambitious national standard (at least once every 3 years)	/	69%
<b>Animal welfare</b>	Percentage of annual volume of purchased shell eggs in the EU coming from cage-free systems	100%	100%
	Percentage of annual volume of purchased egg products in the EU coming from cage-free systems	99.92%	100%
	Percentage of annual volume of purchased shell eggs worldwide coming from cage-free systems	100%	100%
	Percentage of annual volume of purchased egg products worldwide coming from cage-free systems	92.31%	91.85%
<b>Packaging circularity</b>	Percentage of volumes of virgin cardboard covered by sustainable certification	82.7%	89.8%
	Percentage of recycled material/total material used	31.5%	31.3%
	Metric tons of PVC in packaging	803	616
	Percentage of packaging recyclable by design	82.5%	83.8%
<b>Environmental issues within the group's activities</b>	Number of internal environmental site audits carried out	31	57

1. See the methodological note for comments regarding the scope of the indicators.

6.10.2 SUMMARY OF ACTIONS IMPLEMENTED IN 2023

Type of risk concerned	Summary of alerts and actions to implement the vigilance plan in 2023
<b>Health Safety</b>	<p>Lactalis has reviewed its Food Quality and Safety strategy “Act For Quality, because we care.”</p> <p>Lactalis has launched an employee information and awareness-raising campaign on its “Act for Quality, because we care” strategy.</p> <p>At the same time, the group’s withdrawal and recall procedures, pathogen plans, and internal documentation are constantly evolving to meet changes in regulatory requirements.</p>
<b>Human Rights</b>	<p>Lactalis has developed a project to promote social dialogue on 26 pilot sites in 10 countries.</p> <p>A Diversity, Equity and Inclusion working group has been created at group level with the task of defining a Group roadmap and commitments. All Human Resources Directors and the Executive Committee of Lactalis have been made aware. The Diversity, Equity and Inclusion policy was signed by the Chief Operating Officer, thus formalizing Lactalis’ commitments.</p> <p>Lactalis has included in its 2024 action plan the use of a Human Rights risk management tool for its activities and the activities of its value chain.</p>
<b>Health &amp; Safety</b>	<p>Lactalis monitors the implementation of Health Safety action plans in all countries, is working on the deployment of a reporting tool for Health Safety indicators, and continues to raise awareness.</p> <p>In addition, Lactalis took part in World Health and Safety Day, during which many subsidiaries held events.</p>
<b>Environment</b>	<p>Lactalis has worked to refine its climate roadmap for scope 3, which is currently being validated by the SBTi.</p> <p>In several pilot countries, direct cow’s milk dairy farmers are assessed for greenhouse gas emissions during audits, leading to action plans.</p> <p>Lactalis has also published its policy to fight deforestation with the aim of ending the deforestation caused by the main raw materials linked to deforestation, across its entire value chain, by December 31, 2025.</p> <p>With regard to the Industrial Environment section, Lactalis is continuing to implement environmental action plans in all countries and is strengthening its environmental reporting using a dedicated tool (see Chapter 5. / Protecting the planet and its resources).</p> <p>Lactalis organized the World Cleanup Day 2023 event: 3,000 employees and their families in 41 countries took part and collected 33 metric tons of waste.</p>
<b>Responsible purchasing and biodiversity</b>	<p>Lactalis continued to roll out the Supplier Code of Conduct.</p> <p>The company has included in its 2024 action plan the use of a risk management tool related to Human Rights, the environment, health safety and ethics for its suppliers.</p> <p>Lactalis published its Forestry policy containing commitments on the Supply Chain, Milk and Procurement.</p> <p>Lactalis has included in its 2024 action plan the use of a CSR risk management tool related to its value chain.</p>
<b>Animal welfare</b>	<p>Lactalis has continued the assessment of direct farms on animal welfare, in the 8 pilot countries (around 4,000 direct farmers assessed) but also in 9 additional countries (around 500 direct farmers assessed).</p> <p>As part of its partnership with CowSignals®, an organization specializing in animal welfare training, Lactalis has trained almost all of its dairy technicians in 11 countries (around 140 technicians trained).</p> <p>Various awareness-raising and/or training activities for farmers on animal welfare have been carried out by Lactalis’s National Milk Procurement Department, for both direct and indirect volumes: publication of technical guides, organization of face-to-face or online training.</p> <p>Lactalis has published its first progress report on animal welfare (2021 data).</p> <p>Regarding the supply of shell eggs and egg products, Lactalis continued to roll out the action plan to achieve the objectives set out in its animal welfare policy: volumes were converted in certain countries (e.g. Canada) and trials were carried out in other countries (e.g. Australia, Brazil).</p>
<b>Packaging circularity</b>	<p>Lactalis has continued to implement its Packaging Policy roadmaps in 23 priority countries. At the same time, an eco-design tool for packaging has been selected, and is being rolled out internationally to teams trained in its use.</p> <p>At the same time, Lactalis has worked on strengthening its packaging reporting process, and on a digital training module to make the Packaging Policy known to all employees. The training will be available in 2024.</p> <p>Numerous projects to improve the recyclability of packaging and reduce packaging have been carried out (see Chapter 5. / Protecting the planet and its resources).</p>



## 6. VIGILANCE PLAN 2023

# 7. METHODOLOGICAL NOTE

## 7.1 ORGANIZATION OF CSR REPORTING

The Group CSR team is in charge of the annual CSR reporting. It relies on:

- the central Business Line teams (Purchasing, Quality, Milk Supply, Energy and Environment, Supply Chain, Human Resources, Health & Safety, and Compliance);
- CSR officers in the group's various entities, who are responsible for distributing CSR reporting instructions and sharing best country practices.

The CSR team and the central Business Line teams prepare and update KPI sheets, which are distributed to all employees in charge of Business Line reporting.

## 7.2 TIME AND GEOGRAPHICAL SCOPE OF REPORTING

The data used to calculate the various indicators cover the period from January 1, 2023 to December 31, 2023.

The scope of the activity covered by the various indicators is as follows:

The previous report covered the period from January 1, 2022 to December 31, 2022.

Theme	KPI	Scope covered in 2023	Coverage rate 2023
QUALITY	Percentage of sites (activities) with at least one of the following certifications: ISO 22000, FSSC 22000, IFS, BRC, SQF	Group scope excluding Egypt and Russia	98.9% of group revenue
	Resignation rate	Group excluding the following entities: <ul style="list-style-type: none"> <li>• Egypt;</li> <li>• Nutrition Asia;</li> <li>• R&amp;D except France.</li> </ul>	94% of the group's workforce
SOCIAL/HR	Percentage of leadership positions recruited through internal promotion	Group scope excluding Egypt	94% of the group's workforce
	Employee engagement rate (according to the Managerial survey)	Employee survey launched in 50 countries between 2021 and 2023	88% of the group's workforce
	Percentage of target Human Resources teams trained in the Group's Social Dialogue Model	Group scope excluding Egypt	94% of the group's workforce
	Percentage of women in leadership positions	Group excluding the following entities: <ul style="list-style-type: none"> <li>• Egypt;</li> <li>• Nutrition Asia;</li> <li>• R&amp;D except France.</li> </ul>	94% of the group's workforce

7. METHODOLOGICAL NOTE

Theme	KPI	Scope covered in 2023	Coverage rate 2023
<b>ANIMAL WELFARE (raw milk from cows)</b>	Percentage of direct annual volume of collected raw milk in the 8 pilot countries coming from partnering farms regularly assessed on animal welfare, according to the Lactalis internal assessment method or an ambitious national standard (at least once every 3 years)	Australia, Belgium, Brazil (excluding DPA subsidiary acquired in 2023), France, Italy (excluding Ambrosi subsidiary acquired in 2023), Spain, the United Kingdom, the United States (subsidiaries Lactalis American Group and Lactalis United States Yogurt)	72% of the total volume of raw cow's milk collected by Lactalis worldwide
	Percentage of indirect annual volume of collected raw milk in the 11 pilot countries coming from partnering farms regularly assessed on animal welfare, according to the Lactalis internal assessment method or an ambitious national standard (at least once every 3 years)	Australia, Belgium, Brazil (excluding DPA subsidiary acquired in 2023), France, Italy (excluding Ambrosi subsidiary acquired in 2023), Spain, the United Kingdom, the United States (subsidiaries Lactalis American Group and Lactalis United States Yogurt) + Canada, Germany and Sweden, countries in which the Group collects only indirect volumes	
<b>ANIMAL WELFARE (Shell eggs and egg products from laying hens)</b>	Percentage of annual volume of purchased shell eggs in the EU coming from cage-free systems	All Group activities in the European Union, excluding R&D volumes.	100% of the total volumes of shell eggs and egg products purchased by the group in the European Union (excluding R&D volumes)
	Percentage of annual volume of purchased egg products in the EU coming from cage-free systems		
	Percentage of annual volume of purchased shell eggs worldwide coming from cage-free systems	Group scope excluding Russia and the Marie-Morin Canada subsidiary acquired in 2023, excluding R&D volumes.	96% of the total volumes of shell eggs and egg products purchased by the group worldwide (excluding R&D volumes)
	Percentage of annual volume of purchased egg products worldwide coming from cage-free systems		
<b>ENERGY/ CLIMATE</b>	Energy consumed/volume of finished products This KPI concerns the industrial sites and warehouses linked to these sites (excluding independent warehouses)	France, Canada, Brazil, Spain, Italy, USA, Australia, South Africa, Turkey, Germany, India, Croatia, Romania, Sweden, Slovenia, Poland, Czech Republic, Belgium, Portugal, UK, Switzerland. Serbia, Bosnia, Hungary, Macedonia, Greece	89% of the group's production volume
	Scope 1 GHG emissions (tCO <sub>2</sub> eq) (industrial sites, warehouses, vehicle fleet)		
	Scope 1 biogenic emissions (tCO <sub>2</sub> eq) (industrial sites, warehouses, vehicle fleet)		
	Scope 2 GHG emissions (tCO <sub>2</sub> eq) (industrial sites, warehouses, vehicle fleet)		
<b>ENVIRONMENT</b>	Number of environmental trainings provided in France	France	100% of the France production volume
	Percentage of production sites ISO 14001 certified among IED sites	These KPIs concern the industrial sites and warehouses linked to these sites (excluding independent warehouses), for the following countries: France, Canada, Brazil, Spain, Italy, USA, Australia, South Africa, Turkey, Germany, India, Croatia, Romania, Sweden, Slovenia, Poland, Czech Republic, Belgium, Portugal, UK, Switzerland, Serbia, Bosnia, Hungary, Macedonia, Greece	89% of the group's production volume
	Water withdrawal/volume of finished products		
Wastewater discharge/volume of finished products			

## 7. METHODOLOGICAL NOTE

Theme	KPI	Scope covered in 2023	Coverage rate 2023
<b>RESPONSIBLE PACKAGING AND CIRCULAR ECONOMY</b>	Percentage of volumes of virgin cardboard covered by sustainable certification	France, Canada, Italy, USA, Brazil, Spain, Australia, Turkey, Germany, Sweden, UK, South Africa, Romania, Poland, Switzerland, Belgium, Croatia, Portugal, the Netherlands, Czech Republic, Slovenia	87% of group revenue
	Percentage of recycled material/ total material used		
	Metric tons of PVC in packaging		
	Percentage of packaging recyclable by design		
<b>FOREST AND BIODIVERSITY</b>	Percentage of palm oil and derivatives certified RSPO for direct use (direct purchase and processing)	Group scope excluding Egypt	99.8% of group revenue
<b>HEALTH &amp; SAFETY</b>	Frequency rate of workplace accidents with employee lost time (Employee FR1)	Group scope	100% of group headcount
	Frequency rate of workplace accidents with and without lost time for employees and temporary workers (FR2)		
	Severity rate for employees		
<b>NUTRITION</b>	Percentage of volumes in line with internal sugar recommendations for ultra-fresh + milk categories	France, Canada, Italy, USA, Brazil, Spain, Australia, Germany, Sweden, UK, South Africa, Romania, Poland, Switzerland, Benelux, Croatia, Portugal, Czech Republic	84.5% of group-brand revenue
	Percentage of volumes in line with internal salt recommendations for processed cheese categories		

### 7.3 REFERENCE FRAMEWORK

The reference framework for calculating and establishing performance indicators is available on request by email: [sustainability@fr.lactalis.com](mailto:sustainability@fr.lactalis.com)

Acquisitions are included in the CSR reporting within three years of their consolidation by the Lactalis group.

## 7.4 ORIGIN AND CONSOLIDATION OF DATA

### 7.4.1 SOCIAL INDICATORS

The number of employees, full-time workforce (FTW), and the number of hours worked are taken from the Group's HR Management Control information system.

The number of employees and FTWs do not include interns. However, they take into account fixed-term contracts and apprentices. FTWs take into account temporary workers.

Information on the number of resignations and the number of women in leadership positions is taken from the HR reporting provided by the network of HR Managers.

The term "leadership" position means the following:

- at the group's head office: the CEO and Chief Operating Officers, members of the group's Executive Committee and Management Committee, and all persons who report directly to a member of the group's Executive Committee;
- in the countries: the General Manager and the persons who report to him/her, as well as all the members of the Executive Committee of the business unit, if one exists in the country, as well as plant management positions;
- in France, the leadership positions taken into account in the calculation of the number of women in leadership positions takes into account the two highest hierarchical levels as defined in the branch classification of the dairy industry.

Information on the employee engagement rate is extracted from the external survey software used by Lactalis. The results of the survey are valid for two years. Thus, the engagement rate for year N also includes the results of the surveys conducted in year N-1.

Information on internal promotions for leadership positions is taken from the analysis of appointment announcements from the group's countries. It is specified that it is the number of internal promotions that is counted, and not the number of people promoted internally during the year.

The percentage of HR Managers trained in the group's social model is based on an annual reporting conducted by Lactalis' HR Departments. The training has no validity period. The HR Managers involved in these training courses are those who are in regular contact with the unions and employees.

For the calculation of the resignation rate, departures concern permanent or temporary employees who leave Lactalis voluntarily, regardless of their level. Terminations of trial periods, whether initiated by the employer or the employee, are excluded. Dismissals and redundancies are also excluded.

The calculation is based on the physical workforce and the number of employees at December 31 of year N.

The resignation date corresponds to the end of the contract (regardless of the employee's situation in the days preceding this date). If the contract end date is December 31, the employee's resignation is taken into account from the following year.

### 7.4.2 HEALTH & SAFETY INDICATORS

The number of hours worked is taken from the group's HR Management Control information system and concerns group employees.

The number of days off work and the number of employee accidents are reported by the sites to the group's Health and Safety Department, which is responsible for consolidating the data.

### 7.4.3 ENVIRONMENTAL INDICATORS

Information on water consumption and discharge and energy consumption is collected by the sites using meter readings or invoices, and then transmitted to the Group's Energy and Environment Department through a reporting tool.

These KPIs concern:

- industrial sites engaged in the production of semi-finished products: milks, yogurts, powders, cheeses, butter, fruit juices, cold meats;
- pasteurization or cutting/packaging sites located at a site physically separate from the production activity;
- the sites where the milk is prepared before it is sent to other manufacturing sites;
- sites exercising only a tertiary activity (offices, head offices, etc.) in France;
- logistics sites only in France.

Excluded: sites carrying out only one activity:

- office (outside France);
- an independent logistics site (outside France);
- collection center with pasteurization.

The KPI for the proportion of ISO 14001-certified production sites is taken from the Group's Energy and Environment reporting. The date of the certificate is taken into account rather than the date of the external audit for reporting purposes. Industrial sites that joined Lactalis less than five years ago are excluded.

The KPI relating to the number of people trained on the environment, is calculated for the France scope, and concerns the following training courses:

- environmental regulations;
- environmental management;
- ICPE/best practices/treatment plants;
- treatment plants: monitoring and management of spreading.

## 7. METHODOLOGICAL NOTE

This includes employees in France, including people who left the company during the year, after having completed the training course(s).

E-learning training courses and employees who have completed the training but do not fall within the France scope are excluded.

Training data is extracted from the training software managed by the Human Resources Department, and is monitored by the Energy and Environment Department.

### 7.4.4 GREENHOUSE GAS EMISSIONS INDICATORS

The CSR Department is in charge of calculating the group's greenhouse gas emissions annually using the GHG Protocol methodology.

The input data used in the calculation comes from the Energy and Environment and Supply Chain departments.

The reporting of Energy and Environment data is detailed in the paragraph above.

The Supply Chain Department asks its country officers to report all the information concerning vehicles used by Lactalis (owned directly or under long-term leases), fuel consumption and kilometers traveled, as well as information on energy consumption for warehouses independent of industrial sites. Some warehouse energy consumption data has been estimated *via* a surface area approach. Supply Chain reporting is carried out between December of year N -1 and November of year N; it excludes India for 2023. The following are included: all warehouses over which the group has operational control, its own vehicle fleets and industrial sites.

The following are excluded from the scopes 1 and 2 calculations:

- assets other than industrial sites, warehouses, and vehicles, as these emissions are not considered significant;
- emissions related to refrigerant leaks in independent warehouses and refrigerated trucks are excluded from reporting on scopes 1 and 2. The same applies to energy consumption related to pumps for tank trucks or refrigeration units on trailers.

The conversion factors used come from several external databases and are communicated by an external service provider. Scope 2 emissions are presented using the market-based method.

The reference year chosen by Lactalis is 2019 for the calculations relating to scopes 1 and 2. Lactalis will adjust its calculations related to the reference year for any change greater than 5% in the cumulative emissions of scopes 1, 2, and 3 of the reference year. The reference year may be recalculated in the following cases:

- a significant acquisition: if the acquisition takes place in the middle of the year, the acquisition year and the reference year will be recalculated for the entire year. The recalculation will take place within three years of the acquisition;
- a change in the calculation methodology or improvement in the quality of emission factors or data;
- the discovery of errors or other changes. Lactalis will recalculate the emissions for its reference year in the event of a significant difference;
- significant changes in the group's organizational or operational limits (*e.g.* transition from an operational approach to a financial control approach, or the inclusion of a new scope 3 emission category).

Adjustments to the reference year may be calculated at the beginning of each calendar year and will be made public.

Emissions related to refrigerants are excluded.

The data for 2022 have been recalculated for the scope of reporting in 2023.

### 7.4.5 BIODIVERSITY INDICATOR

The information concerning the share of certified palm oil comes from the reports produced by the Group Purchasing Department. The reporting concerns the quantities of palm oil and derivatives purchased by the Group's Purchasing Department, whether for human food or animal feed (*via* Lactalis Ingrédients).

The certification referred to in the palm oil indicator is the RSPO (Mass Balance and Segregated) certification.

### 7.4.6 ANIMAL WELFARE INDICATORS

Information concerning the indicators on the animal welfare of dairy cows and calves comes from a specific reporting coordinated by the Milk Supply and CSR Departments.

For each farm, the volume of raw milk collected by Lactalis is considered "direct" if:

- there is an individual contract between Lactalis and the Farm Manager;
- and/or Lactalis can propose to the Farm Manager individually, a plan to improve his farming practices, without having obtained a prior formal agreement of any third party (*e.g.* a cooperative).

Otherwise, the farm is considered as "indirect" (including farms supplying milk to Lactalis *via* "brokers").

For each farm, the annual volume of raw milk collected by Lactalis corresponds to the total quantity of raw milk delivered by the farm to Lactalis during the reference year (*e.g.* from January 1, 2023 to December 31, 2023).

## 7. METHODOLOGICAL NOTE

A farm is considered to be regularly assessed for animal welfare according to the Lactalis internal assessment method or an ambitious national standard if it is subject to one of the following assessments at least once every three years: Lactalis internal assessment, ProAction (Canada), *Charte des Bonnes Pratiques d'Élevage version 2022* (France), QM-Milch (Germany), ClassyFarm system (Italy), Certificado "Welfair" (Spain), Red Tractor Assurance Scheme (United Kingdom), the FARM Program (United States).

Information concerning indicators on the animal welfare of laying hens is extracted annually from the Group's Purchasing management control information system.

Purchases of eggs and egg products used by the R&D departments are not covered by the indicator.

### 7.4.7 FOOD SAFETY INDICATOR

The food quality and safety indicator is taken from the Group's annual Quality reporting from the production sites.

The food safety management standards recognized as part of this reporting are: IFS, BRC, FSSC 22000, SQF and ISO 22000.

The certification must be valid on December 31 of year N to be taken into account.

In the event that a plant renews its certification late (the previous certificate has expired and the new one is being issued), Lactalis accepts a period of 30 days between the old and the new certificate.

If a site has several activities, each of the certified activities is included in the reporting. One activity is associated with one health approval.

The following are excluded from the reporting: milk pasteurization and collection sites, as well as animal feed production sites.

The methodology for calculating this indicator changed in 2022: milk pasteurization and collection sites are excluded, as are activities that are only ISO 9001 certified. The figures presented in this report have been calculated on this basis.

### 7.4.8 PACKAGING INDICATORS

The indicators relating to packaging and the circular economy are taken from the specific reporting carried out by the Group's Purchasing Department: this annual reporting covers the volume of packaging materials purchased, by material, as well as information on their virgin or recycled origin.

The scope of reference concerns primary, secondary, and tertiary packaging excluding pallets for the group's brands and private labels.

A recycled material is defined as a post-consumption, reprocessed by means of a manufacturing process, into a product or a component incorporated into a product or a secondary (recycled) raw material (excluding energy recovery and use of the product as fuel).

Packaging is considered recyclable by design when its packaging category is more than 30% recycled in regions with a total population of 400 million or more (source: Ellen MacArthur Foundation).

The certifications recognized for the indicator on the proportion of certified virgin fibers from responsibly managed forests are: FSC, PEFC or SFI.

### 7.4.8 NUTRITION INDICATORS

The Group's nutritional indicators are based on the compliance rate of branded products with a sugar recommendation or processed cheeses with a salt recommendation.

This compliance rate is established on a regular basis by the Group's Marketing and Sales Department.

This monitoring is limited to the countries within the defined scope to achieve a representative rate of more than 80% of the Group's revenue from brands.

The salt or total sugar values monitored are those labeled per 100g or 100ml of product and communicated according to local organizations by the marketing, quality or R&D departments of the countries.

The compliance rate is established on the basis of the volume sold of compliant products compared to the total volume sold of products subject to sugar or salt recommendations.

- The following are excluded from this monitoring:
  - products intended for a particular diet (sports nutrition, senior renutrition, etc.),
  - infant products,
  - industrial ingredients or products.
- The following are not subject to a sugar recommendation:
  - plain yogurts and plain milk,
  - powdered or condensed milks not consumed as they are,
  - ultra-indulgent desserts (pastry desserts, butterscotch, etc.).
- Only processed cheeses are subject to a salt recommendation due to their nature, except:
  - processed cheeses based on the use of blue cheese (Roquefort, etc.), Parmesan or Grana Padano, which are by nature more salty and not subject to a specific WHO recommendation.

Where data for 2023 are missing, data from previous years have been used.

## 7.5 DATA CONTROL AND VERIFICATION

- Internal verification: the data from the aforementioned reports are checked by the Business Line experts and the CSR team. They validate the consistency and plausibility of the data. To this end, consistency tests are carried out on the indicators, changes are identified and justified.
- External verification: certain data are audited by an independent third: the list of audited data is specified in the appendix of the opinion. Verification takes place at three levels, depending on their availability:
  - at production site level for information concerning energy, water, the environment, and Health & Safety;
  - at country or division level for information on social issues, animal welfare, biodiversity, health safety, kilometers traveled, vehicles, and fuel consumption;
  - at group level for all KPIs listed in the appendix of the opinion.

## 7.6 COMPARABILITY

The geographical reporting scope has been extended for most of the indicators presented in this report between 2022 and 2023. This change does not make it possible to compare the indicators from one year to another.



## 7. METHODOLOGICAL NOTE

# 8. CROSS-REFERENCE TABLES

## 8.1 CROSS-REFERENCE TABLE WITH THE GRI STANDARD

<b>GRI STANDARD</b>	<b>DISCLOSURE</b>	<b>Elements of the Sustainability report in line with GRI requests</b>
<b>GRI 2: General Disclosures 2021</b>	2-1 Organizational details	1. / Presentation of Lactalis
	2-2 Entities included in the organization's sustainability reporting	7. / Methodological note
	2-3 Reporting period, frequency and contact point	7. / Methodological note
	2-5 External assurance	9. / Verification by an Independent Third Party
	2-6 Activities, value chain and other business relationships	1. / Presentation of Lactalis
	2-7 Employees	3.2.1 / Lactalis employees
	2-9 Governance structure and composition	1. / Presentation of Lactalis
	2-10 Nomination and selection of the highest governance body	1. / Presentation of Lactalis
	2-12 Role of the highest governance body in overseeing the management of impacts	1. / Presentation of Lactalis
	2-13 Delegation of responsibility for managing impacts	1. / Presentation of Lactalis
	2-14 Role of the highest governance body in sustainability reporting	1. / Presentation of Lactalis
	2-15 Conflicts of interest	2.5 / Guaranteeing fair practices
	2-17 Collective knowledge of the highest governance body	1. / Presentation of Lactalis
	2-20 Process to determine remuneration	3.2.6 / Offering competitive compensation and benefits
	2-22 Statement on sustainable development strategy	Editorial from Emmanuel Besnier
	2-23 Policy commitments	2.6 / Building a positive chain of responsibility with suppliers 6. / Vigilance plan 2023
	2-24 Embedding policy commitments	2.6 / Building a positive chain of responsibility with suppliers 6. / Vigilance plan 2023
	2-25 Processes to remediate negative impacts	6. / Vigilance plan 2023
	2-26 Mechanisms for seeking advice and raising concerns	2.5 / Guaranteeing fair practices 6. / Vigilance plan 2023
	2-29 Approach to stakeholder engagement	2.3 / CSR vision and strategy: uniting around shared commitments
2-30 Collective bargaining agreements	3.2.5 / Promoting social dialogue	

## 8. CROSS-REFERENCE TABLES

<b>GRI 3: Material Topics 2021</b>	3-1 Process to determine material topics	2.4 / Main CSR challenges and risks
	3-2 List of material topics	2.4 / Main CSR challenges and risks
	3-3 Management of material topics	3. / Committing to People and Territories 4. / Offering healthy, tasty and accessible products 5. / Protecting the planet and its resources 6. / Vigilance plan 2023
<b>GRI 205: Anti-corruption 2016</b>	205-2 Communication and training about anti-corruption policies and procedures	2.5 / Guaranteeing fair practices
<b>GRI 301: Materials 2016</b>	301-1 Materials used by weight or volume	5.5.1 / Improving packaging solutions
	301-2 Recycled input materials used	5.5.1 / Improving packaging solutions
<b>GRI 302: Energy 2016</b>	302-3 Energy intensity	5.2 / Climate action
<b>GRI 303: Water and Effluents 2018</b>	303-1 Interactions with water as a shared resource	5.4 / Reducing the water footprint of the Group's products
	303-3 Water withdrawal	5.4 / Reducing the water footprint of the Group's products
	303-4 Water discharge	5.4 / Reducing the water footprint of the Group's products
	303-5 Water consumption	5.4 / Reducing the water footprint of the Group's products
<b>GRI 304: Biodiversity 2016</b>	304-2 Significant impacts of activities, products and services on biodiversity	5.2 / Climate action
<b>GRI 305: Emissions 2016</b>	305-1 Direct (scope 1) GHG emissions	5.2 / Climate action
	305-2 Energy indirect (scope 2) GHG emissions	5.2 / Climate action
	305-5 Reduction of GHG emissions	5.2 / Climate action
<b>GRI 306: Waste 2020</b>	306-1 Waste generation and significant waste-related impacts	5.1 / Industrial environmental strategy 5.5.1 / Improving packaging solutions
	306-2 Management of significant waste-related impacts	5.1 / Industrial environmental strategy 5.5 / Promoting the circular economy
	306-3 Waste generated	5.5.1 / Improving packaging solutions
	306-4 Waste diverted from disposal	5.5.1 / Improving packaging solutions
	306-5 Waste directed to disposal	5.5.1 / Improving packaging solutions
<b>GRI 308: Supplier Environmental Assessment 2016</b>	308-1 New suppliers that were screened using environmental criteria	5.1 / Industrial environmental strategy 5.2 / Climate action 5.6 / Caring for Animals all along our value chain
	308-2 Negative environmental impacts in the supply chain and actions taken	2.6 / Building a positive chain of responsibility with suppliers 5.2 / Climate action 5.6 / Caring for Animals all along our value chain
<b>GRI 401: Employment 2016</b>	401-1 New employee hires and employee turnover	3.2.2 / Attracting, retaining, and developing talent

## 8. CROSS-REFERENCE TABLES

<b>GRI 403: Occupational Health and Safety 2018</b>	403-1 Occupational Health and Safety management system	3.1 / Guaranteeing employee Health and Safety
	403-2 Hazard identification, risk assessment, and incident investigation	6. / Vigilance plan 2023
	403-5 Worker training on occupational Health and Safety	3.1 / Guaranteeing employee Health and Safety
	403-6 Promotion of worker health	3.1 / Guaranteeing employee Health and Safety
	403-7 Prevention and mitigation of occupational Health and Safety impacts directly linked by business relationships	3.1 / Guaranteeing employee Health and Safety
	403-9 Work-related injuries	3.1 / Guaranteeing employee Health and Safety
<b>GRI 404: Training and Education 2016</b>	404-2 Programs for upgrading employee skills and transition assistance programs	3.2.2 / Attracting, retaining, and developing talent
<b>GRI 405: Diversity and Equal Opportunity 2016</b>	405-1 Diversity of governance bodies and employees	3.2.3 / Promoting diversity
<b>GRI 407: Freedom of Association and Collective Bargaining 2016</b>	407-1 Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	3.2.5 / Promoting social dialogue
<b>GRI 413: Local Communities 2016</b>	413-1 Operations with local community engagement, impact assessments, and development programs	3.3.2 / Supporting our local communities
<b>GRI 414: Supplier Social Assessment 2016</b>	414-1 New suppliers that were screened using social criteria	2.6 / Building a positive chain of responsibility with suppliers
	414-2 Negative social impacts in the supply chain and actions taken	2.6 / Building a positive chain of responsibility with suppliers 6. / Vigilance plan 2023
<b>GRI 416: Customer Health and Safety 2016</b>	416-1 Assessment of the Health and Safety impacts of product and service categories	4. / Offering healthy, tasty and accessible products

## 8.2 CROSS-REFERENCE TABLE WITH THE SUSTAINABLE DEVELOPMENT GOALS

Chapter title of the 2023 Sustainability report	Corresponding Sustainable Development Goal (SDG)
1. / Presentation of Lactalis	
2. / An integrated approach ensuring the sustainability of the company's actions	
3. / Committing to People and Territories	
3.1 / Guaranteeing employee Health and Safety	
3.2 / Commitment to employees	    
3.3 / Strengthening rural communities	
3.3.1 / Developing relationships with farmers	
3.3.2 / Supporting our local communities	
4. / Offering healthy, tasty and accessible products	
4.1 / Making food quality and safety an absolute priority	 
4.2 / Promoting a healthy and balanced diet	
5. / Protecting the planet and its resources	
5.1 / Industrial environmental strategy	 
5.2 / Climate action	  
5.3 / Fighting against deforestation	
5.4 / Reducing the water footprint of the Group's products	 
5.5 / Promoting the circular economy	 
5.6 / Caring for Animals all along our value chain	

# 9. VERIFICATION BY AN INDEPENDENT THIRD PARTY

## INDEPENDENT AUDITOR'S LIMITED ASSURANCE REPORT ON A SELECTION OF NON-FINANCIAL INDICATORS FOR THE FINANCIAL YEAR ENDED DECEMBER 31, 2023

To the Chairperson and CEO,

In accordance with the mission entrusted to us by management, we carried out a limited assurance mission on a selection of non-financial indicators (hereinafter the "Information") appearing in Appendix 1 with regard to the entity's methodological note (hereinafter the "Guidelines") presented in the sustainability report for the year ended December 31, 2023. Our engagement does not cover other information included in the sustainability report and, consequently, we make no conclusion on them.

### CONCLUSION IN THE FORM OF LIMITED ASSURANCE WITH RESERVATIONS

The reporting scope for quantitative information is limited for several indicators: on the upstream side of the animal welfare indicators, it covers only 72% of the total volume of milk collected, on energy/climate and environment, 89% of the Group's production volumes, on packaging, 87% of production volumes and the employee/HR indicator "Employee engagement rate (according to the Managerial survey)", 88% of the workforce.

Deficiencies were found in the reliability of the procedures for monitoring the "Accident with lost time frequency rate for employees (FR1 employees)" and the "Severity rate for employees" indicators.

Responsible marketing, identified as one of the main CSR issues and risks, is not, however, expanded on further in the sustainability report.

Based on the procedures we performed, as described in the "Nature and scope of work" section, and on the information we collected, with the exception of the items described above, we did not find any material misstatements likely to call into question the fact that the Information has been prepared, in all material respects, in accordance with the Guidelines.

### COMMENTS

Without calling into question the conclusion expressed above, we make the following comments:

- Forest and biodiversity policies do not cover all non-financial risks, and mainly focus on the issue of palm oil.
- The sustainability report does not present quantified improvement targets associated with the issue of water management (water withdrawal and wastewater discharges) and the promotion of diversity.

### PREPARATION OF INFORMATION

The absence of a generally accepted and commonly used reference framework or established practices on the basis of which to evaluate and measure the Information allows the use of different but acceptable measurement techniques that may affect comparability between entities and over time.

Consequently, the Information must be read and understood with reference to the Guidelines, the significant elements of which are available in the appendix to the sustainability report.

### LIMITATIONS INHERENT IN THE PREPARATION OF THE INFORMATION

As indicated in the CSR Report, the Information may be subject to uncertainties inherent in the state of scientific or economic knowledge and in the quality of the external data used. Certain information is sensitive to methodological choices, assumptions and/or estimates used in its preparation.

### ENTITY'S RESPONSIBILITY

The Entity is responsible for:

- selecting or establishing appropriate criteria for preparing the Information;
- preparing Information in accordance with the Guidelines;
- as well as implementing the internal controls it deems necessary to prepare information that is free from material misstatement, whether due to fraud or error.

**RESPONSIBILITY OF THE INDEPENDENT AUDITOR**

We are responsible for:

- planning and carrying out the engagement in such a way as to obtain limited assurance that the Information is free from material misstatement, whether due to fraud or error;
- expressing an independent conclusion based on the audit evidence we have obtained;
- communicating our conclusion to the Chairperson and CEO of BSA.

As we are responsible for expressing an independent conclusion on the Information as prepared by management, we are not authorized to be involved in the preparation of such Information as this could compromise our independence.

However, it is not our responsibility to comment on the entire sustainability report, in particular any information other than that mentioned in Appendix 1 of this report.

**PROFESSIONAL STANDARDS APPLIED**

Our work described below was carried out in accordance with the international ISAE 3000 standard (revised) - Assurance engagements other than audits or reviews of historical financial information published by the IAASB (International Auditing and Assurance Standards Board).

**INDEPENDENCE AND QUALITY CONTROL**

Our independence is defined by the IESBA Code of Ethics (International Code of Ethics for Professional Accountants (including Independence Standards)).

In addition, we apply the International Standard on Quality Management 1 which involves defining and implementing a quality control system including documented policies and procedures to ensure compliance with ethical rules, professional standards and applicable laws and regulations.

**MEANS AND RESOURCES**

Our work involved the respective skills of seven people and took place between September 2023 and March 2024.

**NATURE AND SCOPE OF WORK**

We have planned and carried out our work in such a way as to take into account the risk of material misstatement that could call into question the fact that the Information has been prepared in accordance with the Guidelines. Based on our professional judgment, we have implemented the following procedures:

- we have assessed the appropriateness of the Guidelines in terms of their relevance, completeness, reliability, neutrality and understandability, taking into consideration, where applicable, best practices in the sector;
- we have verified the implementation of a process for collecting, compiling, processing and checking the completeness and consistency of the Information;
- we have implemented analytical procedures on the Information and verified, on the basis of sampling, the calculations and consolidation of the Information;
- we have tested the Information on a sample of representative entities that we have selected according to their activity, their contribution to the consolidated information, their location and a risk analysis. This selection of entities is listed below: Mayenne (France), Retiers (France), the offices of Beck (France), Zevio (Italy), Albano (Italy), Nadela (Spain), Stranraer (United Kingdom), Ostrava (Czech Republic), Ijuí (Brazil), Teutônia (Brazil), Três de Maio (Brazil), Bonnievale (South Africa) and Ladismith (South Africa) which cover between 7% and 28% of the consolidated data selected for these tests (7% of hours worked, 14% of energy consumption, 28% of workforce);
- we have conducted interviews to verify the correct application of the procedures, and implemented in-depth tests on the basis of sampling, consisting of verifying the calculations made and reconciling the data with the supporting documents.

The procedures performed for a limited assurance engagement are less extensive than those required for a reasonable assurance engagement. Consequently, the level of assurance obtained as part of a limited assurance engagement is substantially lower than that which would have been obtained if a reasonable assurance engagement had been performed.

Paris-La Défense, April 17, 2024

Independent auditor

**EY & Associés**

Christophe Schmeitzky

*Partner, Sustainable Development*

**APPENDIX 1: SELECTED NON-FINANCIAL INDICATORS**

**Social information**

<i>Quantitative information (including key performance indicators)</i>	<i>Qualitative information (actions or results)</i>
<ul style="list-style-type: none"> <li>• Accident with lost time frequency rate for employees (FR1).</li> <li>• Accident with lost time severity rate for employees (FR1).</li> <li>• Percentage of resignations compared to the total number of employees (%).</li> <li>• Percentage of leadership positions recruited through internal promotion (%).</li> <li>• Employee engagement rate (based on the engagement survey).</li> <li>• Percentage of HR teams trained in the Group’s Social Dialogue action plan (%).</li> <li>• Percentage of women in leadership positions (%).</li> </ul>	<ul style="list-style-type: none"> <li>• Working conditions (Health &amp; Safety).</li> <li>• Employer attractiveness.</li> <li>• Skills development.</li> <li>• Social dialogue.</li> <li>• Promoting diversity and fighting discrimination.</li> </ul>

**Environmental information**

<i>Quantitative information (including key performance indicators)</i>	<i>Qualitative information (actions or results)</i>
<ul style="list-style-type: none"> <li>• Consumption of electrical and thermal energy (kWh PCI).</li> <li>• Municipal water consumption (m3).</li> <li>• Total volume of wastewater discharges (m3).</li> <li>• Scope 1 GHG emissions from industrial sites (kg CO2e).</li> <li>• Biogenic emissions from scope 1 industrial sites.</li> <li>• Scope 2 GHG emissions from industrial sites (kg CO2e).</li> <li>• Scope 1 and 2 GHG emissions from warehouses and vehicle fleet (kg CO2e).</li> <li>• Percentage of palm oil and derivatives certified for direct use (%).</li> <li>• Percentage of paper and virgin cardboard volumes covered by sustainable certification (%).</li> <li>• Percentage of material recycled in relation to the total volume of material used (%).</li> <li>• Metric tons of PVC in packaging (t).</li> <li>• Percentage of packaging recyclable by design (%).</li> </ul>	<ul style="list-style-type: none"> <li>• Energy management.</li> <li>• Water management.</li> <li>• Biodiversity protection.</li> <li>• Climate change.</li> <li>• Circular economy (packaging management).</li> </ul>

**Societal information**

<i>Quantitative information (including key performance indicators)</i>	<i>Qualitative information (actions or results)</i>
<ul style="list-style-type: none"> <li>• Percentage of the Group’s activities on industrial sites with at least one of the following certificates: FSCC 22000, ISO 22000, IFS, BRC or SQF (%).</li> <li>• Percentage of the volume of milk from direct collection farms covered by an animal welfare audit (%).</li> <li>• Percentage of the volume of milk from indirect collection farms covered by an animal welfare audit (%).</li> <li>• Percentage of the annual volume of shell eggs and egg products from cage-free systems (%).</li> </ul>	<ul style="list-style-type: none"> <li>• Health &amp; Safety management.</li> <li>• Animal welfare management.</li> </ul>









Design/creation: WAT



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