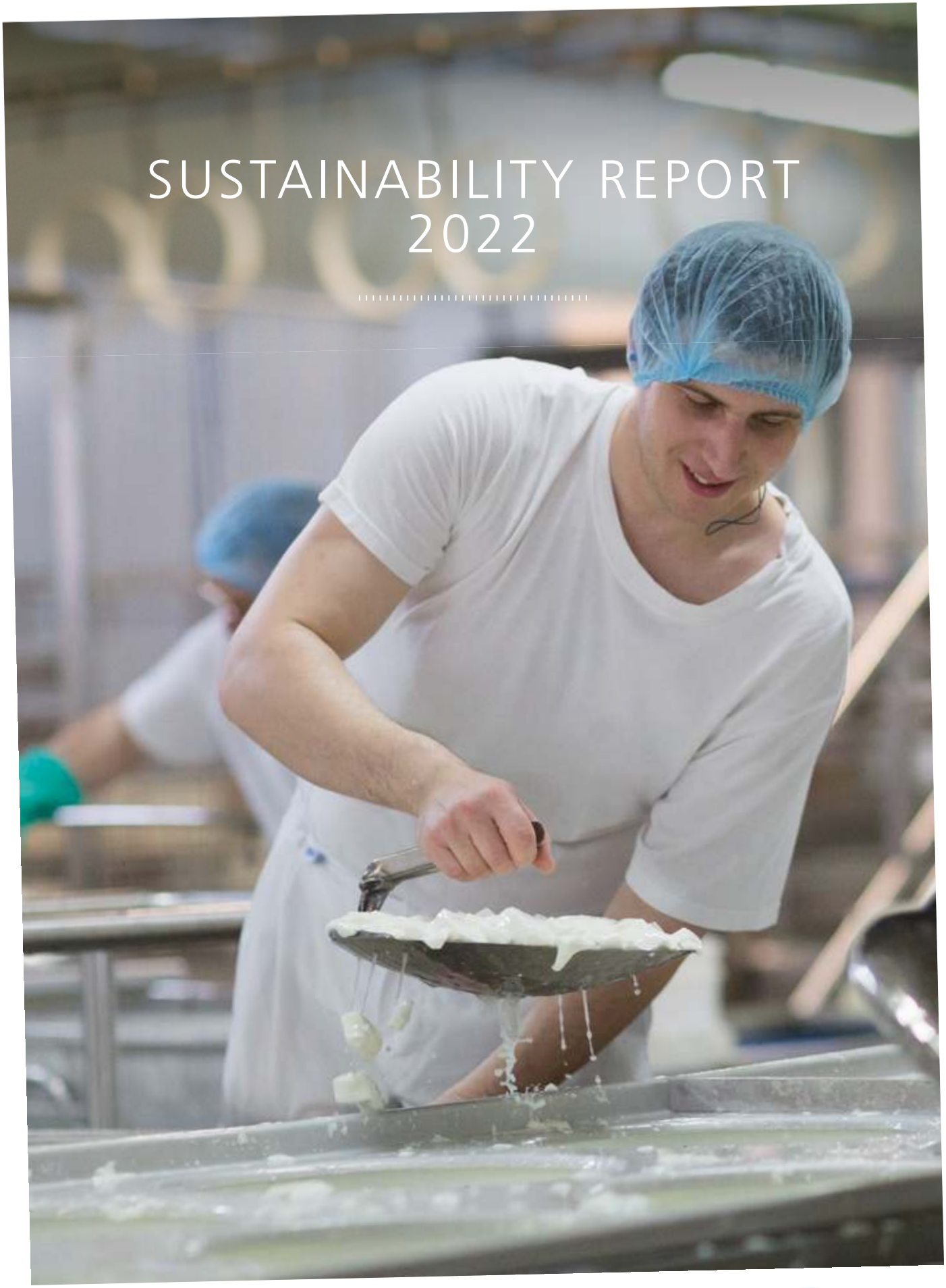
SUSTAINABILITY REPORT 2022



GROUPE LACTALIS

CONTENT

EDITORIAL FROM EMMANUEL BESNIER 2

1. PRESENTATION OF THE LACTALIS GROUP 4

2. AN INTEGRATED APPROACH ENSURING THE SUSTAINABILITY OF THE COMPANY'S ACTIONS 6
2.1 Strategic pillars and outlook 7
2.2 Lactalis Group business model 8
2.3 CSR vision and strategy: uniting around 10
2.4 Main CSR challenges and risks 12
2.5 Guaranteeing fair practices 14
2.6 Building a positive chain of responsibility with suppliers 15

3. COMMITTING TO PEOPLE AND TERRITORIES 19
3.1 Guaranteeing employee Health and Safety 20
3.2 Commitment to employees 22
3.2.1 Lactalis Group employees 22
3.2.2 Attract, retain and develop talent 23
3.2.3 Promoting diversity 26
3.2.4 Improving well-being at work 28
3.2.5 Promoting social dialogue 28
3.2.6 Offering competitive compensation and benefits 29
3.3 Strengthening rural communities 30
3.3.1 Developing partnerships with dairy farmers 30
3.3.2 Supporting our local communities 31

4. OFFERING HEALTHY AND TASTY PRODUCTS 34
4.1 Offering healthy products 37
4.2 Offering tasty products 39

5. PROTECTING THE PLANET AND ITS RESOURCES 42
5.1 Industrial environmental strategy 45
5.2 Climate action 47
5.2.1 Carbon footprint and main emission sources 48
5.2.2 Industrial sites and adjoining warehouses 48
5.2.3 Transport and logistics 49
5.2.4 Fight against deforestation 49
5.2.5 Carbon footprint of packaging solutions 51
5.2.6 Greenhouse gas emissions from upstream dairy products 51
5.3 Reducing the water footprint of the Group's products 54
5.4 Promoting the circular economy 56
5.4.1 Improving packaging solutions 56
5.4.2 Combatting food waste 58
5.5 Committing to animal welfare 60

6. VIGILANCE PLAN 2022 64

7. METHODOLOGICAL NOTE 82

8. CROSS-REFERENCE TABLES 88

9. REPORT OF THE INDEPENDENT THIRD PARTY 92

EDITORIAL

Emmanuel Besnier,
CEO of the Lactalis Group

2022 was a complex year for many reasons. Climate events affected the lives of millions of people, and introduced uncertainties within our own supply chains and those of our suppliers and partnering farmers. Inflationary phenomena have reinforced these trends, particularly for ingredients and packaging, as much as they have accentuated consumer price sensitivity in numerous markets.

But now more than ever, the Lactalis Group is continuing to roll out its sustainability policies and objectives, designed to support and promote the ten principles of the United Nations Global Compact in the areas of human rights, labor, the environment and the fight against corruption. The Group has a renewed desire to develop its activities responsibly, for the benefit of its employees, its communities all over the world, and the planet.

Implementing credible commitments within a company of our size requires appropriate organization. In 2021, working groups and thematic Strategic Committees produced roadmaps to combat climate change, strengthen the circularity of packaging and guarantee animal welfare. I personally wanted to be involved in the various stages of this work, inspired by needs on the ground, built on scientific foundations, in a spirit of dialogue with our stakeholders.

However, this organization must remain agile and capable of adapting to constant change. For example, our commitment to developing targets for reducing our greenhouse gas emissions, aligned with the recommendations of the Science Based Targets initiative (SBTi), must now incorporate the FLAG guidelines (Forest, Land and Agriculture). We must therefore extend our work on our indirect emissions, known as "Scope 3", to more suppliers, and intensify our efforts to track the risks of deforestation throughout our supply chain. When asked by our customers following the same principles, we also respond with confidence. It is a genuine transformation of the corporate value chain that is underway today.

As we can see, the accelerated transition of our processes depends both on collective momentum and the affirmation of benchmarks that determine the common method and pace. Because it covers all global activities of the European companies that will be exposed to it, the next Corporate Sustainability Reporting Directive (CSRD) should be a major driver for this transition, through the positive ripple effects that it will necessarily strengthen beyond Europe.

By processing nearly 23 billion liters of milk at 270 production sites across 51 countries, the Lactalis Group is at the heart of these challenges for the sector. Aware of the responsibility that our leadership entails, we remain fully and determinedly committed.

Agnès Baudet,
Group General Manager for Quality & CSR

When Lactalis was created in 1933, there were approximately 2.5 billion people on Earth. In 2033, the centenary year of the Lactalis Group, there will be more than 8.5 billion of us, according to United Nations projections. Demographic changes will put significant pressure on the planet. Indeed, the Earth's resources and ability to provide food and energy, or to absorb waste and effluents, are limited. Especially since current economic practices are already putting certain ecosystems at risk.

Every one of us, regardless of where we live, will undoubtedly have experienced natural disasters related to climate change in recent times. In 2022 for example, historic floods hit Pakistan and Australia, and an exceptional drought occurred in Europe, Brazil and China.

The latest IPCC report, published in early 2023, once again warns us that the impacts of climate change will be greater than previously assessed and that vulnerable populations will be the worst affected.

Companies therefore have a key role to play in reducing their impacts, and particularly in limiting climate change. Agrifood companies like ours, in particular, are facing a paradox: certain production factors, throughout our value chain, have a significant impact on climate change and are themselves impacted by these changes. Take farming for example: our upstream dairy activity accounts for 80% of our carbon footprint, and is itself also affected by the consequences of climate change. Recently, the reduction in the availability of feed for the herds has led to an increase in costs for farms and a downward trend in production.

We therefore have a responsibility as well as a role to play. We must accelerate the transition of our models, and the Group's global dimension is an opportunity for us to do so: our ripple effect allows us to explore and replicate solutions locally and quickly.

The Group has made commitments and designed roadmaps on clear priorities: the climate, packaging circularity, and animal welfare, another important topic for our sectors. Our teams and the Company's management are determined to continue integrating CSR into the Group's strategy for profitable and responsible growth. It is essential to strike a balance between our economic results, our social commitments to employees and the communities in which we operate, and the protection of the planet. This is the guarantee of the Company's sustainability, in line with our mission and values.

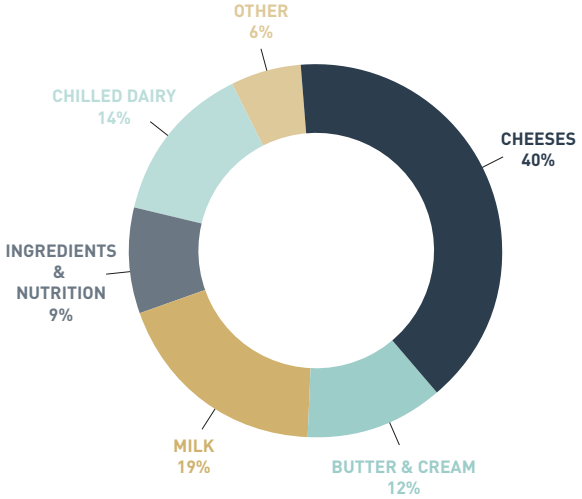
1. PRESENTATION OF THE LACTALIS GROUP

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

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

The Group collects 22.6 billion liters of milk. Processing is carried out at 270 production sites located in 51 countries. The Lactalis Group has 85,500 employees worldwide. The Group generated revenue of €28.3 billion in 2022, an increase of 28.4% compared to 2021.

BREAKDOWN OF CONSOLIDATED REVENUE BY **CATEGORY**



28.3
BILLION EUROS IN REVENUES

22.6
BILLION LITERS OF MILK COLLECTED

+28.4%
GROWTH IN SALES

Nº. 1

World's leading dairy group

World's leading group in the cheese market

World's leading group in butter and cream

World's leading player in PDOs and raw milk cheeses

Nº. 2

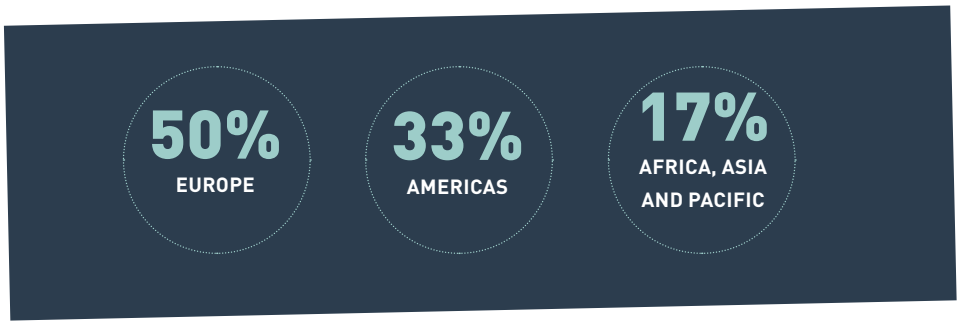
Global group in the chilled dairy products market

Global group in the fluid milk market

Nº. 10

Largest global food group

BREAKDOWN OF CONSOLIDATED REVENUE BY **GEOGRAPHICAL AREA**



IN 2022, THE GROUP'S ACTIVITY WAS ALSO MARKED BY A NUMBER OF ACQUISITIONS:

Jalna in Australia,

leader in family-friendly Greek yogurts. This acquisition positions the Group as no. 2 in the Australian yogurt market;

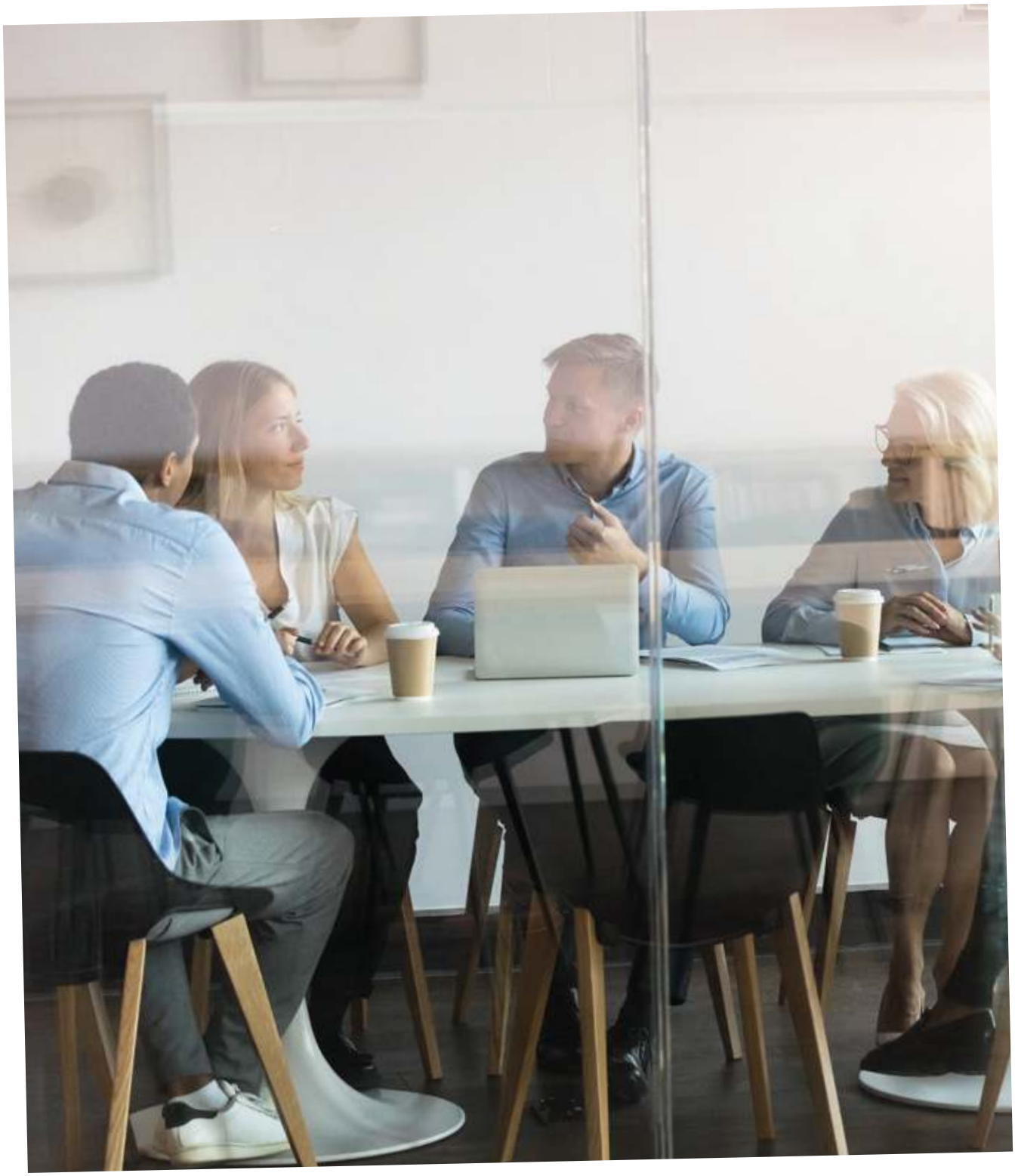
Verdannet in France,

consolidating the Group's position on the PDO cheese market. The company produces Reblochon, Tomme de Savoie, Raclette and hard cheeses;

Frankenland, Thüringer Land, and Haydi in Germany,

which includes milk, fresh pasta and butter activities through the local brands Frankenland and Thüringer Land, and Haydi.

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



2.1 STRATEGIC PILLARS AND OUTLOOK

The Lactalis Group seeks to offer the pleasure and nutritional benefits of dairy products to as many people as possible. The dairy sector also offers interesting prospects for development around which the Group 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. This strategy was formalized in 2022. 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, 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 are growing. In this context, the Group 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:

- 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, African countries);
- 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;
- the emergence of new consumer trends:
  - the coming years will see the emergence of new consumer trends, generated by significant changes in the structure of the population. For example, the 1 billion person increase in the Muslim population is expected to strengthen the demand for halal products. 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 GROUP BUSINESS MODEL

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

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 175 brands (of which 35 with sales > €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. A R&D strategy for our consumers and to reduce our environmental impacts

World leader in dairy PDOs (38)
32 pilot plants in 15 countries

Sales channels

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

Sales presence in 94 zones or countries
300,000 points of sale

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 and tasty products that bring us closer together

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

With Simplicity

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

AMBITION

A 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 affordable dairy products, mostly made of milk. Helping consumers to adopt balanced diets worldwide via innovative sales channels and services

Dairy sector

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 49 countries. Technical advice for a sustainable production of quality milk. 650+ 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 **45 countries**

100% selected HR professionals trained on the Lactalis Labor and Employee Relations Way

100% of our dairy technicians trained on animal welfare by the end of 2023[1]

For our consumers

100% of packaging will bear waste management information by 2025[2]

For our partners

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

100% of our direct collected volumes assessed at farm on animal welfare by 2025[1]

For the Planet

At least **25% less GHG**[2] **emissions** by 2025 (scope 1 & 2)

At least **50% less GHG emissions** by 2033 (scope 1 & 2)

Carbon Net Zero by 2050[3]

100% of packaging eco-designed by 2025[4]

Minimum **30% recycled materials** in our packaging[5]

100% of packaging recyclable by design by 2025[4]

100% of packaging recyclable in practice by 2033[6]

100% of purchased palm oil and derivatives RSPO certified (Mass Balance or Segregated) by the end of 2025[7]

1 Ambitions on our direct volumes of raw cow's milk collected by Lactalis in 8 pilot countries representing approximately 45% of Lactalis' total raw milk collection worldwide. For volumes assessment on animal welfare: by 2026 in Brazil.
2 Greenhouse gases.
3 Contribute to the achievement of carbon neutrality at Group level
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.
5 Ambition at Group consolidated level.
6 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.
7 Ambition on all ingredients containing palm oil and its derivatives labelled as fats, and used for finished products, for food and feed manufactured by Lactalis at Group level excluding Egypt, and used for indirect products co-manufactured by SANULAC.

2.3 CSR VISION AND STRATEGY: UNITING AROUND SHARED COMMITMENTS

The Lactalis Group's CSR strategy is part of the company's strategy for profitable and responsible growth, supported by the launch in 2021 of the Group's roadmap for its 100th anniversary (2033). Creating value for the company and its stakeholders is at the heart of this project, which should support the necessary transition of food systems.

For Lactalis, the specificities of dairy products enable them to be part of the solution for sustainable nutrition. The Group 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.

The Group's CSR roadmap is aligned with the United Nations Sustainable Development Goals and the ten fundamental principles of the Global Compact, of which Lactalis is a participant.

2.3.1 CSR GOVERNANCE

In accordance with its model based on business units autonomy, the Group 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 CSR matters (climate, packaging, animal welfare), and validates the consideration of new issues 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;
- **a Group CSR Department** was created in 2019:
  - it is responsible for proposing a CSR strategy for the Group and coordinates its implementation and updating with the Business Lines;
  - it ensures the consistency of methods and reporting processes, the deployment of cross-functional tools and the monitoring of performance indicators;
  - it coordinates the entire non-financial information and performance auditing process;
  - it manages an international network of internal CSR referents;
  - it 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.

In September 2021, it joined a new entity, the **Quality and CSR Department**, which reports directly to the CEO of Lactalis Group. The Quality and CSR Department is represented on the company's Executive Committee.

For each CSR issue, the Group's CSR Department leads or co-leads the Corporate working and discussion 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 from other Business Lines. In line with the Group's strong local roots, the working group brings together technical experts from the countries,
- **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 Quality and CSR General Manager and the General Managers of the Business Lines involved.

In particular, Strategic Committees have been set up for the Group's priority issues: Climate, Responsible Packaging, Animal Welfare. A Strategic Committee was also set up to oversee the updates to the Vigilance Plan and monitor its results; it is composed of the Quality and CSR General Manager, the Legal Affairs General Manager, the Group Head of Legal Affairs and the Group Audit Director.

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[1]. 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;
- coordinating the implementation of roadmaps by issue and the ensuring reporting;
- developing and facilitating an internal CSR culture.

2.3.2 STAKEHOLDERS

The Lactalis Group 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, the Group has involved them in the establishment of its materiality matrix.

The Group is committed to adapting to the 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
Employees	The Group 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.
Consumers	The Group offers a wide range of healthy and tasty 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, which is why dairy products are recommended by renowned institutions as part of a balanced diet, such as the United Nations FAO through the "Dairy Declaration of Rotterdam" (2016).
Customers	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.
Dairy sector	The Group 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 Federation, IDF - International Dairy Federation, etc.) that seek to develop demanding, qualitative and sustainable production standards. The Group is committed to collectively preparing for the future of the sectors.
Farmers	The Group works closely with nearly 460,000 partnering farmers in 49 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.
Suppliers	The Group participates in the development of its global and local suppliers through its international presence and explores partnerships that promote innovation.

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

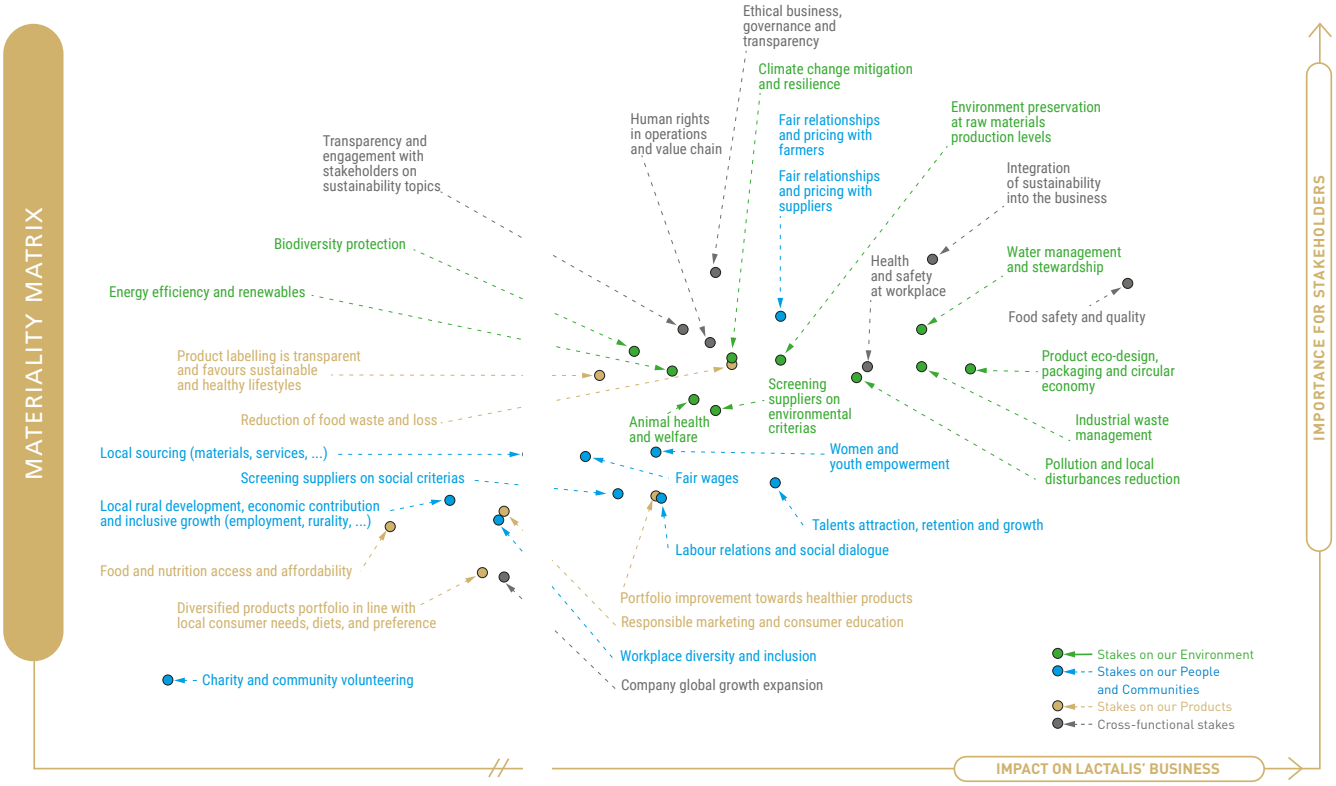
2.4 MAIN CSR CHALLENGES AND RISKS

2.4.1 MATERIALITY MATRIX AND IDENTIFICATION OF THE MAIN CHALLENGES

To determine its CSR approach and strategy, the Lactalis Group combines the risk analysis prepared by the Business Lines (see Section 2.4.2 "Identification of the main CSR risks") and its materiality analysis. The Group wanted to build this approach with its stakeholders: in 2020, 175 internal (30%) and external (70%) stakeholders were consulted. In order to represent the diversity of the regions in which it operates and the expectations of its local communities, the Group has joined forces with stakeholders from 14 different countries: its 7 main mature countries, and 7 main emerging countries.

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 the conclusion was clear: the first priorities are the climate and reducing our carbon footprint, the circular economy and responsible packaging, and animal welfare. It is in this spirit that the Lactalis Group has drafted its CSR roadmap. The Group undertakes to repeat this consultation on a regular basis to ensure alignment with the changing expectations of its stakeholders.

LACTALIS GROUP MATERIALITY MATRIX



2.4.2 IDENTIFICATION OF 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 issue	Main CSR risks for Lactalis
Health & Safety	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.
Human resources and social issues	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.
Food safety	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.
Water, energy and GHG emissions (scopes 1 and 2)	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 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.
Responsible packaging and circular economy	Packaging is fundamental for preserving the best 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.
Biodiversity and forests	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.
Safety and sustainability of upstream milk production methods	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. The development of technical advice for dairy farmers makes it possible to meet this market expectation and those of the Group's stakeholders. Poor upstream dairy practices could have negative consequences on animal welfare, the environment and consumer Health and Safety. They could also affect the Group's reputation and results.

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 and restrict free competition and hamper economic development.

As a major player in the dairy industry, the Group 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.

The Compliance Department coordinates the deployment of the Group's compliance program.

The Group Compliance Committee, made up of the Legal Affairs Department, including the Compliance Department and the Group Audit Department, is in charge of investigating reports received within the framework of the whistleblowing system put in place in 2022.

POLICY AND ACTION PLAN

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

These best practices are shared with employees through policies and procedures in terms of fair practices (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.

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

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.

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

RESULTS

In 2022, 6,028 digital training sessions in Compliance (GDPR, anti-corruption or competition) were attended by more than 3,600 people. In total, since the launch of the digital training in 2020, over 12,000 people have been trained worldwide in the various areas of Compliance (competition law, anti-corruption, data protection).

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 and environmental 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[1].

GOVERNANCE

The Group Purchasing Department is in charge of the Group's Purchasing policy and directly manages commercial relationships with Lactalis' global 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 closely 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. The Lactalis Group 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.

1 The Lactalis Group's Responsible Purchasing Policy is applicable to the Group's suppliers of goods and services, with the exception of raw milk suppliers (direct and indirect volumes), which are subject to a dedicated and specific policy.

The Group has formalized its Responsible Purchasing Policy through two documents:

1. The Supplier Code of Conduct.

In 2022, the Group revised and strengthened its expectations from suppliers in terms of ethics and sustainability, within a Supplier Code of Conduct. The purpose of this document is to communicate Lactalis' vision and ambitions to all its suppliers (excluding dairy farmers) 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 these principles. In the event of non-compliance, if the supplier does not implement effective corrective actions, the Lactalis Group may decide to withdraw or discontinue its relationship with 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.

INTERVIEW

Françoise LANÇON
Group Purchasing Director

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

F.L.: 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. However, we could not stop there, as a large portion of our social and environmental impacts occur upstream and downstream of our value chain. The Purchasing Department therefore plays the key role of a "transmission belt" in deploying the Group's vision and sustainability objectives to its ecosystem of supplier partners.

This is also a great opportunity to promote innovations and their international roll-out

What are the challenges specific to your activities?

F.L.: The number of our suppliers, their global or highly local status, the varying nature of their CSR maturity, and even the great diversity of our purchasing categories, make our Responsible Purchasing Policy a complex equation! We often have to map risks and cross-functional issues spread across all or some of the categories of products or services we purchase. This is the case for an issue such as the climate, or the related issue of deforestation, which we find, for example, in the purchases of ingredients (palm oil, coffee and cocoa, etc.), as well as packaging (paper and cardboard) and energy (wood fuel). We then cross-reference our own data with analyses from recognized NGOs or scientific studies to identify combinations of categories/countries of origin on which to prioritize our efforts.

The purchasing profession is going through a pivotal period when the climate emergency, demographic changes and the necessary preservation of our planet's limited resources place it in a difficult position of referee: reconciling the performance of the company and the mitigation of its impacts. This is why we regularly talk to our teams about these changes in their duties.

ACTION PLAN

The Lactalis Group 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.

A mapping of CSR risks related to the Group's supply chains was carried out by Purchasing experts. The environmental, social and governance risks specific to its value chain were identified and assessed for all purchasing categories 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 in 2020 on animal welfare (shell eggs and egg products), and in 2022 on the fight against deforestation for paper, cardboard and palm oil, and on circularity and use of resources for packaging.

3. COMMITTING TO PEOPLE AND TERRITORIES

The Group's employees and the communities where it operates are and will be the players in the transition to more sustainable industrial and agricultural processes. The development of their potential and the expression of all their talents are the conditions; Lactalis therefore makes it a priority. In addition, the Group wants to make its global dimension an opportunity for dynamism in the rural areas that make up the richness of dairy cultures.

WELL-BEING AT WORK AWARDS

In France, "Les Trophées de la QVT" aim to promote and reward Well-being at Work initiatives. In 2022, more than 1,400 actions were carried out, testifying to the commitment of the Group's sites in terms of health & safety, the working environment, skills development, living together, and innovation in terms of work organization. Through three trophies and a special prize from the Jury, around ten sites were rewarded. In order to promote these actions, share best practices and inspire new ideas, this ceremony was broadcast live at all French sites.

PASSING ON THE PASSION FOR EXPERTISE

We aim to give our young talents the tools, resources, and opportunities they need to grow and succeed in their careers. In Australia, we give the opportunity to young graduates to share with us our dairy passion and acquire technical and leadership know-how through our "Graduate Program". In 2022, we recruited 11 graduates for a 2-year Industrial / Engineering graduate program, encompassing 2 role rotations. They develop in a supportive work environment, benefiting from personalized follow-up and tailored learning throughout their experience.

RAISING AWARENESS OF DIVERSITY, EQUITY AND INCLUSION

A workplace that fosters belonging and authenticity is essential. In 2022, Lactalis Canada's Diversity, Equity & Inclusion efforts focused on the creation of an employee-led and leadership-championed DE&I Council made up of people from across the organization and included employee awareness programs and a series of monthly events. The company is also rolling out training with three modules that include "Foundations of DE&I", "Overcoming Bias" and "Creating an Inclusive Culture" through its internal training.

SUPPORT FOR NEW ORGANIC FARMERS

In the USA, farms in our Stonyfield subsidiary's direct supply receive up to $4,000 (3,800 €) per year in technical assistance to fund projects linked to environmental stewardship, animal welfare, and milk quality. Stonyfield also helped provide Wolfe's Neck Center for Agriculture & the Environment with funding and staff support to start a first-of-its-kind training program for new organic dairy farmers. The company began collecting the milk from MayDay Farm, run by Haden Gooch and Katie Gualtieri in Leeds (Maine). Haden completed the three-year apprenticeship at Wolfe's Neck Center.

3.1 GUARANTEEING EMPLOYEE HEALTH AND SAFETY

GOVERNANCE

The Group Health and Safety of People and Property Department coordinates a network of country and division Managers in charge of deploying the Group's Health & Safety Policy within their scope of application. It regularly supplements its network with the long-term objective of having one Manager per country from a list of 25 priority countries and one Health and Safety Manager at each site with more than 100 employees.

In order to manage this issue, the Group's Health & Safety Department ensures the establishment of a Health and Safety Committee at each management level (from Group level to site level).

DEFINITION

Protecting the Health and Safety of employees, temporary workers and subcontractors, regardless of the country, is at the heart of the Group's development project and its values. Health and Safety is a basic value for the company, a lever of the Group's continuous improvement approach, and contributes directly to its overall performance.

POLICY

The Group's Health and Safety Policy was signed by the CEO of the Lactalis Group and distributed to all countries in 2022.

It defines the Group's ambition to move towards zero workplace accident and zero occupational disease. In order to achieve this ambition, the Group is committed to:

- leading a continuous approach to risk reduction;
- assessing and ensuring compliance with current regulations, applicable requirements and Lactalis Group standards;
- designing, operating and maintaining facilities and means of transport in a safe manner;
- communicating in a clear and transparent way;
- strengthening the skills of all and developing the Health and Safety culture;
- promoting employee engagement and participation by defining their roles and responsibilities and reporting any risky situation or adverse event impacting Health and Safety.

The policy's mantra, which is repeated in all Health and Safety communications, is: "No job is ever so urgent or important not to take the time to do it safely."

Similarly, Health and Safety "Golden Rules" were defined in 2022 and rolled out at Group level. They are communicated to all employees and must be complied with at all times. They are posted as a reminder in all workshops at the Group's sites.

ACTION PLAN

The Group Health and Safety Roadmap sets the following objectives and resources for 2025 in order to achieve the ambition of zero workplace accident and zero occupational desease It is based on 3 pillars:

- leading a Health and Safety management system based on risk reduction;
- developing Health and Safety leadership through Managerial engagement;
- establishing a Health and Safety culture based on mutual dependence.

The Health and Safety action plan drawn up on the basis of the roadmap is based on the following priorities:

- reducing risks and gaps:
  - by improving the quality of risk assessments,
  - through the generalized watch and monitoring of regulatory compliance on a list of 25 priority countries;
- by standardizing risk management for the Group's industrial, logistics and support activities. For example, the Group works with external specialists to carry out an inventory of machinery compliance at all sites;
- improving the reporting and analysis of unwanted events:
  - by improving the reporting of undesirable events,
  - by improving the quality of analyses of undesirable events,
  - by improving the reporting and analysis of serious and potentially serious accidents;
- improving and developing Leadership and the Health and Safety culture:
  - by gradually rolling out the Workstation Safety Checks in 20 main countries,
  - by promoting the development of the Health and Safety culture through appropriate communication initiatives,
  - by improving Health and Safety rituals (meetings, briefings, 15-minute breaks, etc.),
  - by training Managers and employees in Health and Safety.

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 the Group;
- Health and Safety audits carried out by the Group Health and Safety Department in the plants and 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 to carry out cross-audits;
- 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."

For example, these best practices have enabled the Vallejo site in Mexico to obtain the best personal safety audit score (95/100) with no accidents over the past five years.

World Health and Safety Day was celebrated within the Group in 2022. For example, in France, at the production sites, employees were able to take part in various workshops on the theme of Health (workstation warm-up, advice from osteopaths, awareness-raising on food, etc.) and Safety (awareness-raising sessions on Personal Protective Equipment, board games on the new golden rules, road safety, etc.).

RESULTS

The Group has a target of reducing employee accidents by 15% per year. In order to achieve this target, each level of management defines an annual employee frequency rate (FR2) reduction target of between -10% and -20%, depending on the FR2 observed within their scope.

On the basis of the Group's Personal and Property Health & Safety guidelines, the Group Health and Safety Department carried out:

- 31 personal safety audits in 2022. The average result was 57/100;
- 49 property safety audits. The average result was 66.2/100.

The country/division Health and Safety Managers are responsible for the annual monitoring of the Health and Safety audit action plans, which are communicated to the Group's Health and Safety team.

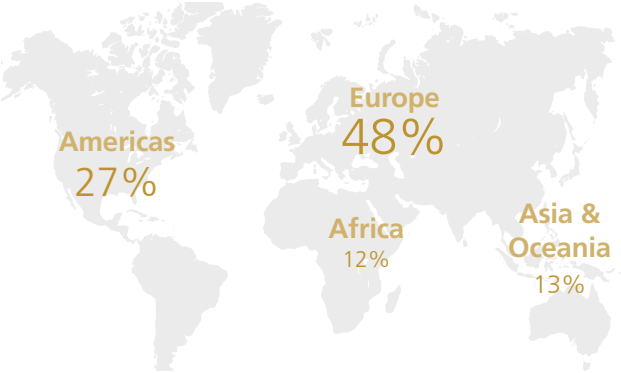
The scores of the Health and Safety audits are communicated to the members of the Group's Executive Committee after each audit and the accident results are communicated monthly.

3.2 COMMITMENT TO EMPLOYEES

3.2.1 LACTALIS GROUP EMPLOYEES

BREAKDOWN OF THE GROUP'S WORKFORCE IN 2022

In 2022, the Group had nearly 85,500 employees.



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

	2020	2021	2022
Europe	47%	48%	48%
Americas	26%	27%	27%
Africa	14%	13%	13%
Asia-Oceania	13%	12%	12%

GOVERNANCE OF HUMAN RESOURCES POLICIES

The Group's Human Resources Department is made up of a central Group 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 Social Relations Department;
- a Compensation and International Mobility Department;
- a Talent Management Department;
- a Human Resources Development Department (training and recruitment).

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 policies and actions, and in particular 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 if necessary.

INTERVIEW

Jean-Yves Rémond,
Group Human Resources General Manager

How does the Human Resources strategy support the Group's growth strategy?

JY.R.: It is thanks to its employees that the Group will achieve the ambitious objectives it has set for itself for 2033, the company's centenary year. We understand the importance of attracting, engaging and retaining talent, as well as developing the skills of our employees. This is why the Group's strategy for 2033 has a Human Resources pillar composed of the following 6 objectives:

- promoting employee engagement;
- retaining and increasing the number of talents in our key functions;
- developing our attractiveness;
- developing a strategy to improve the diversity of our teams;
- preserving the "Lactalis way of managing business";
- preserving our know-how and rolling out our new leadership model.

How is this strategy implemented within the Group?

JY.R.: To implement the Group Human Resources strategy, we have developed a Long-Term Plan for 2022-2024, in accordance with a collaborative and international approach which also involved the Group's Management Committee and Senior Management.

The 4 pillars of this strategy are:

- attract and develop talent;
- develop Lactalis' leadership;
- encourage employee engagement;
- improve the efficiency of its organizations.

3.2.2 ATTRACT, RETAIN AND DEVELOP TALENT

DEFINITION

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

POLICY AND ACTION PLAN

To attract and develop talent, the Group rolls out action plans designed to:

1. bring the #LactalisExperience Employer Brand to life;
2. attract talent and build career paths in key functions;
3. boost internal promotion to retain talent;
4. develop potential and secure the transmission of our key know-how by investing in training;
5. offer locally competitive compensation packages.

Employer Brand

The Group's attractiveness requires greater exposure of the Employer Brand based on the Group's strengths and successes.

Following a survey of 10,000 employees in 26 different countries regarding their relationship with the Group, the Employer Brand was implemented in 2020 and continued to be rolled out in 2022.

It is based on three strong pillars: History, Passion and Expertise. It highlights the Group's identity, its DNA, and therefore what makes the Group a unique employer. The Employer Brand explains the daily life of an employee at Lactalis.

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 the Group is and what it can offer.

Joining Lactalis means joining a family group that has both an international presence and a strong local presence. For example, the Group is now the world leader with 270 production sites in 51 countries and has a commercial presence in over 150 countries. It is also the world's leading PDO player (38 PDOs), testifying to its commitment to terroirs and territories.

Joining Lactalis also means sharing great moments with teams who are passionate about their profession, recognized for their expertise, and who, every day, through their commitment, boldly and pragmatically help well-known and recognized brands to grow.

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 of 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 talents in order to ensure the constant and sustainable development of its activities, while guaranteeing the transmission of dairy expertise.

Relations with Schools

In France, the Relations with Schools Department is a support function of the Group, 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 the development and growth of the Lactalis Group.

To carry out these missions, its role is to:

- coordinate, manage and lead relationships with twenty 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 to carry out actions to enhance the recruitment pool.

In 2022, in France, nearly 100 actions were carried out in collaboration with partner schools and with the support of business line experts, ranging from attending forums and job dating events to testimonials from business line experts, visits to industrial sites and Challenge events at the schools, such as Challenges Négo with Audencia, Edhec, Kedge and Toulouse Business School; or the "Reduction of industrial water consumption in the context of drought" Challenge with Ensaia students.

In 2022, this strong presence in schools enabled the Group to have 960 work-study students and 411 interns in the workforce in France.

The successful integration of young interns and work-study students who join the Group 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 2022, these elements, combined with Managerial support, led to the hiring of nearly one in two students at the end of their internship or work-study period.

Employee integration

Strengthening the Group's attractiveness also relies on the quality of the welcome afforded to new employees.

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 Group's values, to familiarize themselves with what the various departments do and to establish a network of contacts and knowledge within the Group. The formalized induction program takes place in two stages: a collective welcome and/or a personalized welcome.

In France, all interns and work-study students are welcomed collectively for one day and all Managers are welcomed collectively for two days at the Lactalis Group's head office in Laval. This allows them to learn more about the Group 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

In the past, employees of subsidiaries were invited to participate in local engagement surveys (Managerial surveys).

Since 2021, the Group's 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. The employees were asked about issues common to all Group employees, such as:

- engagement;
- respect and recognition;
- management;
- security;
- career development;
- their vision of the company's strategy;
- the working environment;
- issues specific to each country or subsidiary.

74% of the Group's employees were asked to respond to the Lactalis Managerial survey in 2021 and 2022.

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 [1] with the General Managers and business line Managers, so as to take into account the Group's intercultural diversity while respecting its fundamental values.

This new leadership model is composed of 4 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.

The 2022-2024 Long-Term Plan provides for the roll-out of the new leadership model to all the Group's subsidiaries through workshops and training modules, adapting HR processes to this new model, so as to bring this model to life on a daily basis and to support Managers in the development of their individual and collective leadership.

Internal promotion

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

Internal mobility contributes to the Group's growth dynamic: to this end, in France, an internal job offer platform has been created: Lactajob allows each employee to find out about the opportunities that exist within the company and to strengthen internal mobility.

The Group supports the internal mobility of employees through training.

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

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.

1 Australia, Colombia, France, India, Canada, Croatia, Mexico, Romania, Italy, South Africa, Spain, Sweden, USA, Turkey, Russia.

In 2022, the Northern Europe region created the "Talents for the future" program. Based on the Lactalis Industrial Model, the Lactalis Leadership Model and the Group's values, the "Talents for the Future" program 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.

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 Group 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 the Group.

With regard to training, international training programs are deployed to best unify shared know-how and practices (marketing, finance/management, trade, Maintenance Academy, Industrial Academy). Some of these programs also offer certification. There are also Manager Leader certification courses.

In addition, the Group is continuing its policy of supporting internal trainers (1,304 trainers in the Group in 2022). The objective is, among other things, to be able to develop the Lactalis Leadership model and the Group's values, as well as to prepare employees for future positions and roles within the Group.

In 2022, the Group continued to develop its digital training. In a scope of 77 countries, 19,000 employees logged onto the Lactalis Learning Factory (digital training platform), *i.e.*, 27% more than the previous year, completing 48,000 hours of training over the year, *i.e.*, 66% more than the previous year.

This platform offers 265 training modules to learners, of which 101 were created in 2022. They are available in up to 11 different languages.

The Learning Factory offers training modules on:

- the Lactalis culture (Group values, industrial performance approach);
- the Group's know-how in various fields such as dairy technology, milk collection, supply chain, quality and hygiene;
- the "Essentials": language courses, IT courses and mandatory modules relating to compliance, for example;
- personal development, such as developing Managerial skills and leadership.

The Learning Factory 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 8 countries.

Talent development also involves supporting the employability of young people; the Group supports the use of work-study programs (for example with 1,005 young people trained in 2021 in France), and has created its own CFA Lactalis, whose first class of students was trained in October 2021.

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

RESULTS

	2020	2021	2022
Engagement rate	Not measured	65%	66%
Internal promotion rate	New indicator		68%
Resignation rate	9.2%	11.2%	11.8%

3.2.3 PROMOTING DIVERSITY

DEFINITION

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

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. It is also a factor in the Group's transition toward more sustainable production models.

APPROACH, ACTION PLAN AND RESULTS

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

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

The Group Human Resources 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. The 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 diversity initiatives have already been rolled out, such as:

- in France, an e-learning course on diversity is accessible to all employees;
- diversity policies have been rolled out in the United States, Canada, Sweden, South Africa and Brazil;
- in Brazil, the Diversity, Equity and Inclusion initiative called "Lactalis Plural" has 4 pillars: gender, disability, ethnic origin and sexual orientation equality. In this context, the Brazilian subsidiary has entered into a partnership with the *"Justiceiras"* association to raise employee awareness of violence against women and create an internal channel through which female victims can quickly find shelter and assistance.

Gender equality

The Lactalis Group firmly believes that the company's performance is inherently linked to the plurality of profiles that make it up. As a result, the Lactalis Group 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 Lactalis Group 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 score of 91/100 for 2022, an improvement compared to the previous three years (score of 88/100 in 2019).

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 rules are displayed at all sites in France.

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

	2020	2021	2022
Percentage of women in leadership positions	**20.6%**	**18.4%**	**26.7%**

Youth training and employment

The Lactalis Group works to promote the employment of young people. Lactalis 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.

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

For instance, in France since 2002, as part of the I²FA program in partnership with the *École Supérieure des Agricultures* (ESA), foreign students follow a work-study program for 2 and a half years.

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 the Lactalis Group's local teams in the areas of production, quality, R&D and milk collection.

This partnership makes it possible to prepare the talents of tomorrow and to perpetuate the Group's development strategy.

In addition, this training enables these young employees to acquire the Group's values, culture and know-how from the outset of their career. Since 2002, 213 students from 36 countries have joined the I²FA program.

In October 2021, Lactalis set up an Apprenticeship Training Center (CFA) in Laval which offers training courses for Sector Managers and industrial engineers. Since its creation, nearly one hundred learners (including 78 learners who joined the CFA in 2022) have benefited from the expertise of 35 internal trainers. This Lactalis Apprenticeship Training Center is a real asset of the young talent development policy.

Disability

The Lactalis Group is committed to the reception, integration 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 2022, 18 people with disabilities were welcomed within the Group in France.

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. In South Africa, the Group encourages training for people with disabilities by supporting their access to annual training programs certified by the SAQA (South African Qualification Authority).

3.2.4 IMPROVING WELL-BEING AT WORK

DEFINITION

The Group 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

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

The Group intends to initiate a survey of these initiatives in 2023.

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

- work safely and protect well-being (physical and mental);
- be 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 in 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 employee expectations at a local level. Each year, a well-being at work award ceremony is held to showcase the actions taken by the sites. In 2022, the Lactalis Butter & Cream and Lactalis Food Services divisions received the Jury's special award for their breast cancer awareness and prevention campaign during "Pink October" Breast Cancer Awareness Month.

In France, some employee representatives of the Health and Safety Commission (within the Social and Economic Committee) are trained as 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 Group'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 Labor 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 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 the Group, the levels of activity in each product universe and the Group's medium and long-term strategic areas of development. This body represents 42% of the Group's employees in 2022.

Assessment of social dialogue risks

The Group Labor Relations Department is developing a social risk assessment project that aims to precisely identify risks related in particular to social dialogue and labor relations within the Group, at the level of workshops (warehouses and plants), sites and countries.

Initially, the Group conducted a survey in a sample of plants in 10 countries to identify the main issues concerning labor relations and to assess the quality of social dialogue on a local level.

As part of this project, every week, 3 pilot sites identify social irritants or issues in the field and seek to resolve them. Social irritants can be related to social dialogue, well-being at work or Health and Safety, for example.

These pilot projects will make it possible to closely monitor social risks in the plants and to quickly remedy any problems detected. Depending on the results of the pilots, the project may be rolled out throughout the Group.

RESULTS

Since its creation, the European Social Dialogue Body has met every year. In 2020, the meeting took place by videoconference in the context of the Covid-19 pandemic. In 2021 and 2022, face-to-face meetings were held for three days at the Group's head office in Laval.

	2020	2021	2022	Ambition
Percentage of HR officers trained in Lactalis Labor and Employee Relations Way	39.6%	69.1%	60.6%	100%

The decrease in the rate of officers trained between 2021 and 2022 is linked to the expansion of the reporting scope, from 10 to 33 countries.

3.2.6 OFFERING COMPETITIVE COMPENSATION AND BENEFITS

DEFINITION

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

POLICY

The Lactalis Group'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 the performance of the Lactalis Group;
- 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 PARTNERSHIPS WITH DAIRY FARMERS

DEFINITION

The processing of dairy products calls for the collection of milk as close as possible to our dairies and cheese factories. Each year, Lactalis collects more than 22 billion liters of milk from some 460,000 partnering farmers in 49 countries. The methods of this collection vary from one country to another, or even from one farmer to another. There is great variability depending on the farming systems, the type of relationship with farmers or local regulations.

APPROACH

In general, Lactalis obtains its milk in 3 main ways:

Direct collection

Lactalis holds direct and individual contracts with dairy farmers. Each partnering farmer collects milk at their farm and benefits from a "personalized" relationship: they receive regular visits from their own Lactalis dairy technician who can provide advice and technical recommendations to help develop their activity. This organization allows for close proximity wit partnering farmer.

This approach is applied in numerous countries including France, where Lactalis collects milk from more than 9,500 farmers. With one distinct feature: although Lactalis has an individual relationship with each farmer, the majority of them join associations of farmers (AF) to negotiate on milk prices and the contractual terms and conditions.

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 organization and not with each individual farmer.

This arrangement is used in several countries such as Italy and Germany, with some differences. In Italy, collection is mainly indirect, but this does not prevent Lactalis technicians from regularly visiting the farms to provide technical support to the farmers. Conversely, in Sweden, technical support for farmers is mainly the responsibility of the cooperative with which the Group has a contract.

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. Relations between Lactalis and the farmers are then limited to meetings between the various representatives; Lactalis does not visit the farms, except in rare cases.

This is the case in Canada, where Lactalis buys the milk from regional "milk Boards."

In addition to these 3 main arrangements, there are a multitude of other situations depending on the countries where Lactalis operates:

- contractless farmers: in some situations, there is no long-term contract between Lactalis and the farmers: collection is arranged on a day-to-day basis. Farmers can stop selling their milk to the Group at any time;
- collector associations: in some countries, companies collect the volumes of various farmers in a given region and then resell the milk to Lactalis; this arrangement is therefore relatively similar to that of indirect collection. This type of arrangement can be found in Turkey, where the associations bring together the milk collections of more than 28,000 farmers with a few cows at their homes or larger farms;
- Milk Collection Centers: to support and structure dairy production in rural areas exposed to remoteness and logistical challenges, Lactalis has developed a network of over 650 Milk Collection Centers between farmers and our processing sites. They are located mainly in isolated rural areas in eight countries. The farmers deliver their milk to these centers, and Lactalis is then responsible for transporting it to its processing sites. For example, collection in Brazil works in this way.

This regional network enables farmers to remain in these regions, to develop their volumes and to make a decent living from their activity.

Regarding the transport of milk, depending on the country, it is carried out as follows:

- internally: the trucks are owned by Lactalis and the dairy drivers are Group employees, as is the case in France and Spain;
- externally: Lactalis uses third-party transportation companies. In rare cases, the transportation may be provided by the farmers themselves. This is the case in the United States for instance, where some farmers have their own trucks.

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, the Lactalis Group 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 the Lactalis Group and its subsidiaries are committed to improving the quality of life and well-being of the various local communities. The Group is aware of its role in local communities and seeks to have a positive impact on them.

GOVERNANCE AND POLICY

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.

ACTION PLAN AND RESULTS

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

Job offers for community members

As the world's leading dairy group, Lactalis contributes through its activities to the creation of direct and indirect jobs in the regions where it operates. Depending on the size and scope of its activities, its impact on the dynamism in rural areas is variable.

- Direct jobs may include those in the Company's production sites, such as production employees, technicians, engineers, supervisors or administrative employees. Across the Group, more than 100 different business lines were represented.
- Indirect jobs may include those in local companies that supply Lactalis with goods and services, such as raw material suppliers, transport companies or service companies. For instance:
  - in France, the Group's activities generate around 60,000 direct and indirect jobs (2021 figures).
  - in Italy, Lactalis published a study in 2021 called "Studio impatto paese," highlighting the impact of its subsidiary on local communities. Present in 10 regions through 30 production sites, it has more than 19,000 (FTW) jobs throughout the sector, with an employment multiplier rate of 3.8.

The Group is a major employer in the local communities where it operates. It is committed to providing quality jobs and professional development opportunities to its employees. At Group level, 88.6% of leadership positions are held by employees from local communities.

Financing Social Projects for Communities

In India, the Group supports learning and helps to reduce student absenteeism in class through regular donations of furniture, electronic devices and infrastructure development. Through these initiatives, Lactalis strives to create a better and safer learning environment for children in rural areas.

In 2022, Lactalis Canada partnered with the provincial environmental protection authority "South Nation Conservation" to implement a large-scale tree planting project at its site in Winchester, Ontario. As part of the project, 10,000 trees were planted to form the Lactalis Canada Winchester Forest, serving to improve the local environment, create a habitat where biodiversity can thrive, and benefit the community by forming a green space in the area between the industrial plant and the city while reducing noise.

In Slovenia, Lactalis funded a two-year research project entitled "Water tracing in the Triglav Glacier area", conducted by the Research Centre of the Slovenia Academy of Sciences and Arts. Published in 2022, its results confirm that the disappearance of the glaciers will have repercussions on the valley's drinking water supply and on the life cycle of pollutants. A vast communication campaign was launched to raise awareness of these issues in local communities.

Donations of food and basic necessities

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

In France since 2020, Lactalis has been involved in the *Collecte Nationale des Restos du Cœur*; food collections organized directly at volunteer sites. As such, in 2022, 42 Lactalis volunteer sites in France responded to the call and, thanks to the strong mobilization of local teams, collected more than 2.5 tons of food and hygiene products, with the sites voluntarily contributing an additional 2 tons. *Les Restos du Cœur* then distributed the products collected to the most vulnerable people, supported by the association.

In Sweden, Lactalis cooperates with Skåne Stadsmission & The Unaccompanied Minors, associations that organize food donations and solidarity activities throughout the year.

The Lactalis Group is also committed to taking part in social actions for Ukraine. The Group made several donations via the French Ministry for Foreign Affairs: 12 pallets of infant formula, and 13 pallets of Lactel milk. Lactalis in Romania donated nearly 50 tons of UHT milk, yoghurts and cheeses for the Ukrainian population.

Partnerships with civil society organizations

In France, Lactalis has been supporting *Les Restos du Cœur* financially and through a partnership agreement since 2020. Our partnership for 2021-2022 covers the financial support of 4 "Integration Kitchens" as well as the creation of two traveling *Restos du Coeur* centers (trucks) in France. To date, nearly 143 people in socio-professional integration, spread over these 4 workshops, have been supported. These establishments were able to distribute more than 958,000 free meals to homeless people in order to guarantee them a balanced diet. The traveling *Restos du Coeur* centers aim to help disadvantaged people in rural areas.

Lactalis Canada launched the "Community Enrichment Fund" (CEF) in 2022 to directly support the communities with which the Group operates in Canada. Through this fund, each site has the ability to make a significant economic, social and environmental impact, build relationships and engage locally through participation and support for community programs. From donations to food banks, sponsorship of local events to improving and repairing community infrastructures, the CEF supports a range of initiatives aligned with Lactalis Canada's goal of contributing to and nurturing the lives of Canadians.

Initiatives in 2022 included, for example, supporting Ukrainian refugees in Toronto through the donation of essential items and winter equipment, a park improvement project in Ingleside, Ontario, and the sponsorship of an annual women's basketball tournament called *"La Classique des Astéries"* in Victoriaville.

Lactalis partnering farmers in Slovenia

Employee volunteering program

In Australia, the Group's employees have the opportunity to make a difference in their communities thanks to the "CSR leave program". Employees can request up to two half-days of volunteering per year, to devote to significant projects of their choice.

Lactalis Canada offers all its salaried employees an annual paid volunteering day. In 2022, 186 employees took advantage of this day, giving a total of 1,400 hours of their time to their communities.

Sponsorship of local cultural and sporting events

In Spain, the Group's commitment to the regions is also reflected in the sponsorship of local sports initiatives. Some of these sponsorships are long-standing, such as that of Puleva with the football and basketball teams of Grenada.

Well-being and health

In France, since 2019, the Lactel Foundation has been tasked with helping families in their quest for a balanced diet. At the end of 2022, 68,000 families had benefited from a variety of actions, including distribution of full breakfasts, breakfast preparation workshops, development of tools and events to raise awareness of the nutritional importance of breakfast in a balanced diet.

In Canada, Lactalis is a founding partner of Kids Help Phone - a national 24/7 online mental health service offering free and confidential support to young people. Lactalis Canada allows employees to make a donation to Kids Help Phone directly from their salary, and to volunteer for this association.

4. OFFERING HEALTHY AND TASTY PRODUCTS

From a single raw material, milk, our *savoir-faire* and local cultures have shaped an impressive diversity of tastes and products. Lactalis is committed to preserving, sharing and promoting them. Dairy products also have an essential role in sustainable food, by offering an interesting balance between the environmental impact of production and their unique nutritional contribution. The Group's brands are fully committed and attentive to the expectations of consumers, to offer them healthy, innovative products that meet the highest quality standards, while remaining accessible.

"PASSION FOR TASTE": COMMITTED TO TASTE

Employees are the Group's product ambassadors! In 2022, Lactalis launched the "Passion For Taste" program, through tastings, live sessions, online or via a module on the internal training platform. Its ambition is to further develop expertise, offer ever better products, and consolidate the leadership of Lactalis products and brands. Aimed at all employees, and being rolled out worldwide, this training aims to cultivate consumer confidence and preference. 772 employees have completed the digital module since its launch.

RECOGNITION OF CHEESEMAKING *SAVOIR-FAIRE*

Each year, the World Cheese Awards rewards the best cheeses in the world. In 2022, in Newport (Wales), more than 4,400 cheeses from 42 countries were tasted by a jury of 250 international experts. Lactalis cheeses won more than 30 gold, silver and bronze medals, and the Spanish Gran Capitán Mezcla Curado won the "Super Gold" award. In 2022, at the Concours Général Agricole awards, Lactalis France won 62 medals in a variety of categories including cheese, butter, cream and yogurt. Overall, its products received a record total of 23 gold medals, 24 silver medals and 15 bronze medals.

PROMOTING THE ESSENTIALS OF DAIRY PRODUCTS

The objective of the "MilkInSciences" information site, which was launched in 2022, is to share a selection of studies, opinions and reports to highlight the positive contributions of milk, dairy products and their industry, to nutrition, health and food sustainability. Designed to disseminate the main findings of scientific studies conducted by renowned institutions and authors, it aims to raise awareness among consumers and opinion leaders about the essential role of dairy products in a balanced and sustainable diet.

LESS SUGAR AND STILL SO MUCH PLEASURE!

In Canada, the Béatrice brand offers consumers the benefits and great taste of milk, made from 100% Canadian farmed milk. Béatrice is committed to helping families adopt a healthy and balanced diet. In 2022, the brand worked on its chocolate-flavored milk recipe, reducing its sugar content by nearly 9%, i.e. the equivalent of 1.3 tonnes of sugar less per year.

4.1 OFFERING HEALTHY PRODUCTS

DEFINITION

For the Lactalis Group, food quality and safety are an absolute priority. The Group is committed to striving for excellence without ever compromising on the safety, compliance and quality of its products and services in all the countries where it operates.

GOVERNANCE

The Food Quality and Safety Policy (QFS) is led by the Group Chief Operating Officer, a member of the Group's Management Committee who reports to the CEO and by the General Managers of the Group's subsidiaries. The General Manager of each subsidiary is responsible for ensuring that products placed on the market comply with applicable laws and regulations as well as with the standards defined by Lactalis. At the presentation of annual quality reports at beginning of each year, the General Managers commit to the objectives and action plans rolled out in the Divisions and Support Services.

All members of the Divisions Management Committees, including:

- the country or region Quality Managers;
- the Site Managers;
- the Site and Service Quality Managers;

are responsible for the operational implementation and monitoring of the Group's Food Quality and Safety Policy and Lactalis standards, at all levels of the company.

The Group's Food Quality and Safety Department, headed by the Group General Manager for Quality and CSR, who is a member of the Group's Management Committee and reports to the CEO, defines the Group's Food Quality and Safety strategy and policy in this area. It maintains a high level of expertise in all areas of food quality and safety. It defines Lactalis standards in terms of Food Quality and Safety and assesses compliance and the effectiveness of the entire system. The Group Food Quality and Safety Department is responsible for the Group's quality control methods. It works closely with the network of local Quality Directors and Quality Managers.

POLICY

The Lactalis Group Food Quality and Safety policies apply across the entire value chain, from product design to purchasing and supply, including production, storage, product marketing and consumer relations.

They apply to all subsidiaries and sites (production, storage, R&D centers) and to all products.

These policies are based on:

- the Food Quality and Safety strategy, "Act For Quality, because we care," defined in 2022, which is based on four key pillars:

- the Food Quality and Safety commitments, also reviewed in 2022. They are validated by the CEO of the Group and aim to:

1. guarantee healthy and safe products that comply with current regulations and standards;
2. offer consumers tasty products. Design and improve products to continue to meet the evolving and multiple expectations of consumers in terms of taste, nutritional benefits and 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 operations to offer consumers the best value for money;
4. encourage everyone (employees and partners) 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;

- 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.

ACTION PLANS

Risk identification and analysis:

the Group's Food Quality and Safety 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 watch department. The Group 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 the Group based on site-specific characteristics and local specificities and requests, and to put in place a prevention plan and a control plan.

Food safety management system

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.

Product compliance

Every day, the Lactalis Group manufactures and delivers products that comply with international and local regulations and standards.

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: the Group carries out numerous quality controls on products and tastings throughout the chain: from receipt of raw materials to delivery to the stores.

Thus, through the real-time measurement of quality, review of results, objectives and internal audits, the Group can detect discrepancies and eliminate defects to provide a compliant product of high and consistent quality.

The Group works together with its suppliers and partners to achieve its compliance objective.

System compliance and performance assessment

The Group 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. The Lactalis Group has set itself the objective of certifying all its GFSI production sites by 2025.

Be efficient and strive for excellence

The Group implements monitoring indicators that enable continuous improvement. To this end, the Group is working to implement connected management tools with the 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.

Engaging employees and partners

At Lactalis, quality and food safety are established through the application of Group standards and the behavior and mindset of all employees.

The Group develops and strengthens the culture of quality and food safety in its teams:

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

In 2022, the Lactalis Group launched an employee information and awareness-raising campaign on its strategy "Act for Quality, because we care."

Listening to customers and consumers

The Lactalis teams take the greatest care in listening to customers and consumers to innovate and improve the Group's products. Numerous checks are carried out before a product is put to market to guarantee consumer preference and organoleptic superiority. The Group regularly measures the organoleptic quality of its flagship products and those of competitive markets through consumer tests, expert panels and internal panels of trained and qualified tasters.

RESULTS

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

	2020	2021	2022	Target
Percentage of industrial activities certified according to at least 1 of the 5 ISO 22000, FSSC 22000, IFS, BRC, SQF certificates	81%	82%	83%	100% in 2025

4.2 OFFERING TASTY PRODUCTS

DEFINITION

The Lactalis Group is a family business that offers healthy and tasty products that bring people together.

Since the beginning of its adventure in 1933 in Laval, the Group 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. The Group is committed to combining, taste and nutritional requirements in the development of its recipes. The Lactalis teams constantly seek the right balance between taste and the fat, sugar and/or salt content of the products.

The Group considers 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's 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; because numerous studies have demonstrated the positive impact of these 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

Through a wide range of sustainably produced foods, and by spreading knowledge about the nutritional importance of dairy products in our diet, the Group can play its part in 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

The Group bases its policy on recommendations by the World Health Organization (WHO). Fresh dairy products and flavored milks are the main sweet products of the Lactalis ranges; the Group therefore pays close attention to the added sugar content of these two categories. For its part, salt (sodium) plays an essential role in the processing of cheeses beyond the organoleptic aspect: texture, 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.

Offer 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 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 meet these expectations. The Group is working to simplify recipes where possible and has adopted a reasoned approach to the selection and use of additives.

Promote clear nutritional information and raise awareness of the importance of portion sizes

The Group 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 and healthy 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 Group packaging also contains contact information for its consumer services.

Promote 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).

The Group is of the belief that there is no vegetal nutritional alternative to Dairy, and that both Dairy and vegetal products are complementary and have their own role in a balanced diet. Dairy products offer a high nutritional value *versus* their environmental impacts. And the Lactalis Group is committed, with its value chain, to producing them in a more sustainable way.

ACTION PLAN

Added sugars and salt

In order to improve and monitor changes in the composition of added sugars, the Lactalis group has established internal recommendations by category of sweetened products, adapted in particular from the Rayner table, on the basis of a total sugar content of 100 g or 100 mL. These categories are flavored milks, chilled products and dairy desserts. The Group 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.

The Group 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).

Simpler recipes

Since 2019, the Group 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

The Group 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.

The Lactalis group believes that portion size is one of the keys to achieving a balanced diet. In order to help consumers adopt healthy eating habits, the Group 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. The Group 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), another graphic representation, or a cutting mark on the packaging.

The place and role of dairy products in a balanced diet

The Group 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. The Group's 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;
- promoting the scientific results and evidence from experts and key opinion leaders, in particular through the "Milk In Sciences" information platform.

In addition, the Lactalis Group continues to develop a culture of taste among all its employees. The Group has thus launched the "Passion for Taste" program, which takes the form of tastings, live sessions, online or *via* a module on the internal training platform. 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. Over 770 employees have followed the digital training module since its launch.

RESULTS

	2022
Share of volumes compliant with internal sugar recommendations for the milk + chilled dairy categories*	86%
Share of volumes compliant with internal salt recommendations for the processed cheese categories*	62%

* Data relating to a scope representing 81% of brand revenue.

Monitoring the removal of ingredients to be eliminated as a priority

The usage levels for 2022 of "priority" ingredients considered on an individual basis are all less than 1% of the monitored volume.

INTERVIEW

Catherine LEGORGEU, Group Strategy and Marketing Expertise Director

Christophe LATRON, Group R&D Director

How do dairy products address current and future food challenges?

C.L.: Dairy products are recognized by numerous studies and international bodies for their nutritional value; products that present themselves as alternatives do not have the ability to imitate the dairy matrix, and cannot claim the same naturalness. Milk, sugar, salt and rennet: our products offer simple recipes, far removed from ultra-processed foods. Our challenges are therefore to raise consumer awareness of the positive role and essential health impact of dairy products in a balanced diet, and to work on our recipes to, for example, reduce sugar levels or eliminate certain additives. We are involved in initiatives to develop nutritional rating systems to be printed on packaging: it is essential to display a rating per portion so as to give the right information, because ratings based on 100g can mislead the consumer. We do not consumer 100g of cream or 100g of butter in one sitting.

How is LCA (Life Cycle Assessment) a driver for sustainable nutrition?

Ch. L.: Multi-stage ("from farm to fork") and multi-criteria (climate, water footprint, etc.), LCA provides an overall view of our environmental impacts. We are developing LCA expertise to provide a decision-making tool from the initial stages of internal innovation or renovation processes. Our analyses are adapted to each industrial site, its technologies, its equipment and its supply chain, which makes it possible to identify the most relevant levers for improvement locally. The development of LCA could eventually make it possible to supplement the information provided to consumers about our products, in particular through environmental labeling.

5. PROTECTING THE PLANET AND ITS RESOURCES

Dairy products have a high nutritional density, while remaining proportionally among the most accessible products. They are therefore essential to the nutritional balance of the world's population. But they also have an impact on the environment and the use of resources. The Lactalis Group therefore intends to take advantage of its global dimension to accelerate the transition of food systems to more sustainable models. This involves stepping up dialogue with its stakeholders throughout its value chain, and in particular with partnering farmers. It is also an opportunity to pursue innovation and optimize its processes towards greater efficiency, sobriety and performance.

TURKEY, WINNER OF THE SUPPLY CHAIN TROPHY

In 2022, Turkey was selected as the winner of the 1st edition of the "Let's Talk Carbon Footprint in the Supply Chain" internal competition. Local teams were rewarded for the implementation of 52 projects that have reduced the carbon footprint of the Lactalis logistics chain by 3,380 metric tons of greenhouse gases. These initiatives focused on optimizing truck loading (double deckers) and intermodal transport by train for UHT milk pallets.

NEW SOLAR POWER PLANTS AT DUKAT

Nearly 6,800 m² of solar panels with a total capacity of 1,100 kWh were installed in 2022 on the roofs of the Dukat sites in Zagreb and Bjelovar. This equipment enables the Croatian subsidiary of the Lactalis Group to benefit from renewable energy of solar origin and thus reduce its carbon emissions by around 320 tons per year.

AN ECO-DESIGNED CAP!

In 2022, the Italian teams of the Lactalis Group completely redesigned the caps of all UHT milk bottle ranges. The weight of the caps of these PET bottles has been reduced by 12.5%, which is equivalent to a reduction in annual plastic consumption of 57 tonnes.

IMPROVING ANIMAL WELFARE THROUGH TRAINING

Protecting animal welfare is as much an ethical principle as it is a performance factor for farmers. In Brazil, Lactalis organized training for nearly 400 farmers to raise awareness of best practices directly on their farms. An educational guide has also been published and includes short videos produced by a technical expert.

5.1 INDUSTRIAL ENVIRONMENTAL STRATEGY

DEFINITION

As a world leader in dairy products, the Lactalis Group intends to fulfill its mission to contribute to healthy 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 meeting 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 composed of a central team organized as follows:

- an Energy Department;
- an Environment and Water Department;
- an Environmental Management Systems Department;
- a Methods and Support Department.

The Group Energy and Environment Department is also responsible for the deployment of management systems, reporting methods and protocols, internal audits and external certifications (*e.g.*, 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_2 emissions);
- energy consumption;
- waste production;
- the extraction of natural resources.

Based on this observation, the Group 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_2 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, gradually being rolled out from 2022, designed to improve Lactalis' environmental impacts over the next 10 years. Two additional plans will be added from 2023. These plans are as follows:

- a first 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;
- a second 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;
- a third plan relating to the deployment, at all of the Group's plants, of harmonized operational control tools and an environmental management system based on ISO 14001, with 3 levels of commitments depending on site size: external site-by-site certification, certifiable management system, environmental fundamentals;
- a fourth plan relating to the gradual reduction of greenhouse gas emissions from the Group's industrial and logistics activities (scopes 1 and 2);
- a fifth plan to address the scarcity of water resources and develop water sobriety and/or reuse plans through appropriate treatment;
- a sixth plan to improve our resilience to the energy crisis and accelerate our 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 plants. 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 diagnostic standards, for example, thermal or cooling diagnostics or wastewater treatment plant diagnostics.

Focus on environmental training

The Group 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. Awareness-raising training on good energy practices is provided and their international deployment is planned. Training in the best energy utility operations will be available soon.

Focus on the environmental management system:

The Lactalis Group deploys an environmental management system in all plants 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 by an internal audit.

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

- 100% of Group plants subject to the IED Directive (Industrial Emission Directive) in Europe will be ISO 14001 certified by the end of 2024;
- all plants processing more than 300,000 liters of milk equivalent per day outside of Europe will be ISO 14001 certified by the end of 2027.

This dual objective concerns 42% of the Group's manufacturers worldwide.

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

Focus on waste management

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.

The Lactalis Group's commitment also covers the resources used to manage waste: they must be subject to regular inspections, measures and corrective actions. The reporting of the quantities of waste generated by the industrial sites is reported *via* the Group's tool.

The Group has defined action plans aimed at reducing the amount of waste associated with packaging and promoting its recyclability (see section 5.4.1 "Improving packaging solutions".

RESULTS

In 2022, 31 internal environmental audits were carried out, and one site in France obtained ISO 14001 certification.

Thus, 47% of plants subject to the IED directive in Europe (35 sites) are ISO 14001 certified in 2022.

INTERVIEW

Philippe Laborne
Industrial
General Manager

What factors led to the renovation of the Group's environmental and energy strategy?

Ph.L: Energy and the environment are at the heart of our industrial challenges and priorities. We apply energy efficiency plans, share best practices, and dedicate 20% of the Group's total annual investment to improving our energy systems and establishing a better environmental approach.

The current period of climate and energy uncertainty is driving us to intensify our efforts in these areas. Faced with soaring electricity and gas costs, we are accelerating our investment plans in order to reduce our consumption and establish a real energy transition within the Company.

Faced with the diversity of its locations and the number of its acquisitions, how does Lactalis ensure a consistent approach?

Ph.L: We seek and will always seek to protect the environment by reducing the impact of our products through science, expertise, and dialogue with our stakeholders.

We work on these issues on a daily basis with our expert teams by implementing a true environmental management model tailored to each site and to the scale of its activity, by following a risk analysis, everywhere in the world. They are also structured with the management teams through the implementation of a more solid energy/environment governance and the development of a true Lactalis model.

5.2 CLIMATE ACTION

DEFINITION

Climate action and the Lactalis Group's 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, the Lactalis Group 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, the Lactalis Group has set up a Climate Committee, made up of internal Lactalis experts from the main departments affected by the issue (Industry, Transport and Logistics, Milk supply, Purchasing, Business travel, 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.

This 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 subsidiaries 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, base year 2019);
   - reduce the Group's greenhouse gas emissions by at least 50% by 2033 (scopes 1 and 2, base 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 for 2025 and in 2033 will enable the Group to progress towards the objective of net zero emissions, helping to contribute to carbon neutrality. 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.

To achieve these objectives, all relevant teams and internal experts have been mobilized. The main countries and divisions establish roadmaps in collaboration with the central expert department, taking into account their local context and opportunities.

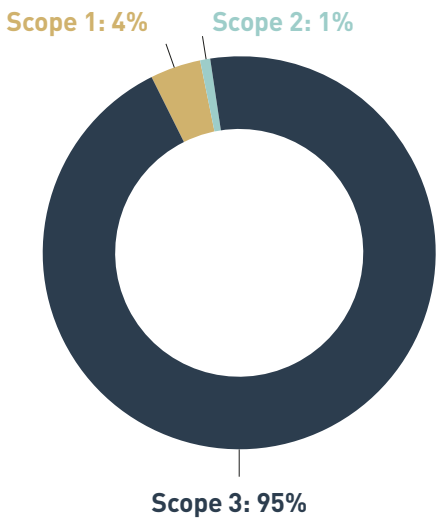
Through its Research and Development activities, and the partnerships forged with experts such as universities, the Group anticipates new regulations, new technologies in the fields of livestock feed, storage and cooling technologies for milk, innovative packaging, etc. These efforts enable the Group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

5.2.1 CARBON FOOTPRINT AND MAIN EMISSION SOURCES

ACTION PLAN AND RESULTS

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



With 95% of the Group's greenhouse gas emissions, scope 3 is the company's most important item. Within scope 3, the most significant emission categories are:

- purchased goods and services, which account for 87.5% of the Group's carbon footprint (scopes 1, 2 and 3), of which 80% come from upstream dairy farming;
- transport and distribution upstream of the value chain, which accounts for approximately 2%.

The Lactalis Group focuses primarily on measuring its emissions from its industrial and logistics activities in scopes 1 and 2 in the 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.

WE SUPPORT PATHWAYS TO DAIRY NET ZERO.

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:

	2022
Scope 1 greenhouse gas emissions from industrial sites, warehouses, and vehicle fleet (TCO_2e).	1,655,534
Scope 1 biogenic emissions from industrial sites, warehouses, and vehicle fleet (TCO_2e).	343,839
Scope 2 greenhouse gas emissions from industrial sites, warehouses, and vehicle fleet (TCO_2e).	475,852

5.2.2 INDUSTRIAL SITES AND ADJOINING WAREHOUSES

ACTION PLAN AND RESULTS

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.

The Group's main areas of work are as follows:

- reducing energy consumption by implementing efficient 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 the Group's expected performance and objectives.

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.

Example of improved operational efficiency:

- in 2022, the second phase of work was launched at the Winchester site (Canada) to replace boilers with more efficient equipment. This project should reduce the site's annual greenhouse gas emissions by 6.5%;
- in 2022, work began on the installation of nearly 9,500 m^2 of photovoltaic panels at the Villarrobledo site (Spain). They will provide 20% of the site's energy requirements and contribute to the site's target of achieving 80% of electricity consumption from renewable sources;
- the Group has set up a steam purchasing partnership with Agrimaine Méthanisation, which brings together 100 dairy farms, *i.e.*, 150 farmers, mainly recovering livestock waste. The digestion of this effluent by the methanizer produces the equivalent of the annual energy consumption of 6,000 households. At the end of the digestion process, the "digestate" (solid phase, by-product of this process) is reused as an organic fertilizer for the farmers' crops. Lactalis aims to purchase 10,000 metric tons of steam per year. In addition to the wood-fired boiler, this purchase of steam produced *via* biomass will enable the production of cheeses close to "zero carbon" at the Charchigné site in France;
- in 2022 in France, the Group initiated a study aimed at incorporating solid recovered fuels (SRF) into its energy mix. Derived from waste recovery and contributing to the promotion of the circular economy, SRFs represent a high-efficiency source of energy. This transition should lead to a reduction in greenhouse gas emissions;
- the Group is studying the possibility of installing biomass equipment at 10 sites in France, Germany, Belgium, and Southern Europe.

	2020	2021	2022
Energy consumption (kWh LHV/kg finished products)	0.9	0.93	0.85

The scope of reporting changed in 2020 and 2022: in 2020 it concerned 4 countries, in 2021 it concerned 6 countries, and in 2022 it concerned more than 20 countries (see methodological note).

5.2.3 TRANSPORT AND LOGISTICS

ACTION PLAN AND RESULTS

Transport and storage activities are omnipresent in the Group'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 the Group's 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, the Group has identified the following four pillars:

- 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.

To stimulate innovation and the sharing of best practices, the Group launched the "Let's Talk Carbon Footprint in the Supply Chain" competition for international logistics teams. The aim of this competition is to reward the best initiative to reduce greenhouse gas emissions related to the transport and storage of products and concerns scopes 1 and 2, or scope 3. 9 projects were presented to an internal jury and the initiatives in Turkey were announced the winners.

For instance:

- in Turkey (winner in 2022), 52 projects were undertaken along the supply chain in 2022. More than 3,380 metric tons of greenhouse gases have been eliminated thanks to various actions such as the optimization of truck loading (in particular double-decker trucks), pallet management, and the use of other modes of transport, such as trains for UHT milk pallets;
- in Sweden, 100% of the Group's drivers have been trained in eco-driving, resulting in an estimated 10% to 20% reduction in fuel consumption;
- in France (Lactel Division), the optimization of logistics flows and product manufacturing sites meant 240 fewer trucks on the road in 2022.

5.2.4 FIGHT AGAINST DEFORESTATION

ACTION PLAN AND RESULTS

The Lactalis Group has incorporated its forest footprint policy within 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.

Forests are essential in regulating carbon cycles as well as water and nutrients. The production of agricultural and forestry commodities such as paper pulp, palm oil, and soybeans are responsible for nearly three-quarters of the destruction of tropical forests, which affects populations and ecosystems and reverses the sequestration of greenhouse gases in the soil.

The Lactalis Group considers the protection of forests to be a priority: a Biodiversity and Forest Footprint Committee was created in 2021. Managed by the CSR Department, it brings together the business line experts most heavily involved in the management of commodities with a significant deforestation risk. Three priority commodities have been identified at Group level: palm oil (and derivatives), soybeans (and derivatives), and pulp (paper/cardboard packaging).

The Group's biodiversity and forest footprint policy is based on:

- the identification of the exposure of Lactalis activities to the commodities most at risk of deforestation-conversion;
- the coverage of direct purchases of these commodities by certificates guaranteeing responsible processes;
- raising awareness among stakeholders, and in particular suppliers and partnering farmers, of the potential impacts of untracked volumes;
- 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, the Group annually publishes its progress on the fight against deforestation through the RSPO Annual Communication on Progress (ACOP) and the CDP Forest questionnaire.

Paper pulp

The Lactalis Group's paper pulp policy was developed as part of the Group's packaging policy. Thus, to reduce the risk of deforestation related to its paper and cardboard packaging supply chain, the Group has committed to ensuring that 100% of its purchases of virgin paper for its packaging is certified as of responsible origin by the end of 2023 (see methodological note).

Indicator	2019	2021	2022	Target
Percentage of volumes of virgin paper/ cardboard covered by sustainable certification	81%	79%	82.7%	100% by the end of 2023

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.

Lactalis has set itself the target, in 8 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). This represents a coverage rate of 45% of the total annual volume of raw milk collected by the Lactalis Group.

For example, in France, the Lactalis Group continued its participation in 2022 (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 mobilizing livestock sectors towards greater protein autonomy.

In Sweden, the Group also took part in the Soy Dialogue Initiative to adopt a soybean traceability process: 100% of the soybeans used by Swedish farmers will be certified sustainable (RTRS or ProTerra) and will not come from any biodiversity reserve affected by deforestation.

Palm oil

In order to ensure the accountability of its supply chain, the Lactalis Group has undertaken to purchase volumes of palm oil and palm oil derivatives that are traceable and covered by the 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 purchasing volumes with these 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[1]:

- 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 Group'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;
- the Group will participate in at least one initiative to support small palm farms each year (starting in 2023);
- the Group will participate in at least one initiative to support reforestation each year (starting in 2023).

Following the publication of the policy in early 2022, the Group was able to implement action plans to modify its supplies of palm oil (and derivative) ingredients in North America and Europe in accordance with its roadmap.

This has enabled the Group to make significant progress towards the objective of 100% certified palm oil and derivatives by 2025.[1]

	2020	2021	2022	Target
Percentage of purchased volumes of palm oil and derivatives covered by sustainable certification	39%	54%	83.3%	100% in 2025

5.2.5 CARBON FOOTPRINT OF PACKAGING SOLUTIONS

ACTION PLAN AND RESULTS

The policy of promoting a more circular economy also contributes to the Lactalis Group's Climate strategy. It assists in the reduction of its scope 3 greenhouse gas emissions. The Group favors the circularity of packaging and the integration of recycled materials. When these areas for improvement reach their limits, the Lactalis Group favors the use of certified renewable materials that do not compete with land dedicated to food production.

To assess and limit the impact of its packaging on the environment, in 2022 the Group launched the qualification and roll-out in its various subsidiaries of an eco-design tool for packaging, with the aim of assessing 100% of its current and future packaging solutions for pillar 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 Chapter 5.4 "Promoting the circular economy."

5.2.6 GREENHOUSE GAS EMISSIONS FROM MILK SUPPLY

ACTION PLAN AND RESULTS

The Lactalis Group's policy to improve farming practices also contributes to its Climate strategy in terms of its scope 3 greenhouse gas emissions. On a global scale, in 2022 the Group initiated a work to develop roadmaps for cutting the greenhouse gas emissions associated with its milk supply products, representing around 80% of its total emissions (scopes 1, 2, and 3). This work is part of the implementation of its approach to contribute to achieving carbon neutrality by 2050 across its entire value chain (scopes 1, 2, and 3). In this context, 11 countries representing nearly 70% of the Group's global milk collection are mobilized and aim to develop these roadmaps by the end of 2023.

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.

At the same time, the Group has already implemented several concrete measures on this subject in collaboration with its partnering farmers and external stakeholders. Several examples can be cited:

Initial inventory: measurement and analysis of the carbon footprint of a sample of 700 partnering farmers

In 2021, the Lactalis Group launched an international project to better quantify the GHG emissions related to its milk supply and to prepare the initial inventory. 9 countries were involved in this project: Australia, Belgium, Brazil, France, Germany, Italy, Spain, the United Kingdom, and the United States. In these 9 countries, the Lactalis Milk Supply teams measured the carbon footprint of a representative sample of nearly 700 partnering farmers. This sample was determined using a sampling method designed with the help of experts from Wageningen University in the Netherlands.

Carbon footprint measurements were mainly carried out using the carbon diagnostic tool called Cool Farm Tool (CFT). Developed by the Cool Farm Alliance (CFA), an ecosystem of organizations (companies, NGOs, universities), this tool is internationally recognized and supported by scientists. It is already being used in nearly 120 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, the Lactalis Group has been a member of the Cool Farm Alliance and is associated with the developments and evolutions of this tool within the CFA's Beef and Dairy Working Group.

In 2022, the results of these 700 assessments were analyzed in order to identify the main room for improvement in each country. In 2023, these results will be mobilized as part of the work to prepare the roadmaps described above.

Raising awareness of partnering farmers

In 2022, the Group decided to continue and extend the measurement of on-farm carbon footprints (in particular using the Cool Farm Tool). This is a way to raise farmers' awareness of the issue and to initiate potential reduction plans. Thus, using the same sampling method, 700 new farmers representing the 9 countries mentioned above were selected. In addition, new countries have been included in the project: 300 farmers were assessed in Sweden, 90 in Poland, and the Milk Supply teams in South Africa and Turkey received training in preparation for carbon assessments in 2023.

Participation in research and development projects

In Italy, since 2021, Lactalis has partnered with the DSM company and the *Università Cattolica del Sacro Cuore* (in Piacenza) to design a test to quantify the reductions in methane emissions from cows using the feed additive Bovaer®. Previous studies have shown that this additive could reduce enteric methane emissions by up to 30%. The objective of this test, carried out in 2022 on the experimental farm of the *Università Cattolica del Sacro Cuore*, was to measure the effective impacts of this additive when it is used as part of a "typical" Italian dairy cow diet. In addition, this test aimed to study any secondary impacts, particularly in terms of animal welfare and milk quality. The results will be analyzed and discussed in 2023.

In the United States, the Stonyfield subsidiary is contributing to a research project which aims to identify a local algae that, when added to the diet of dairy cows, could reduce enteric methane emissions. On an international level, several algae with these properties have already been identified, however, the volumes produced are very limited and no species is endemic to the Stonyfield dairy collection area (Northeastern United States). This project, initiated in 2020, is coordinated by the Bigelow Lab, notably in partnership with the University of New Hampshire, University of Vermont, and the Wolfe's Neck Center. In 2022, Stonyfield provided financial support to the project. In 2023, trials will be carried out at partner research centers. Then, in 2024, additional trials will be carried out on-farm and will involve farmers delivering to Stonyfield.

Technical support

Through its agricultural supplies and equipment sales services, the Lactalis Group offers its partnering farmers products and equipment that contribute to the reduction of their carbon footprint (Calorie-recovery water heater, pre-cooling systems, feed for livestock with optimal omega 3 levels, etc.). Farmers benefit from competitive prices, payment facilities, and personalized technical assistance from the Group's dairy technicians.

In addition, the Group regularly organizes training courses and workshops courses for its partnering farmers, some of which deal directly with climate issues. For instance, in the United Kingdom, a webinar series entitled "Understanding Your Carbon Footprint" was recently released. These webinars were well attended and positively received by the farmers delivering to Lactalis in the country.

Financial support

In France, as part of the "*Lactel Bio et Engagé*" initiative, Lactel supports farmers in planting hedges that contribute to carbon storage. This initiative was launched in 2019 and concerns all organic farmers that supply Lactel. Lactel provides financial support to the farmers concerned (subsidies for planting hedges and technical advice). To date, 36,000 trees have been planted on 72 farms since the launch of the operation, contributing to the estimated storage of 247,000 kg of CO_2 equivalent.

In Germany, in close collaboration with a major client of the Group, partnering farmers in the alpine region are encouraged to reduce their carbon footprint: on the one hand, the result of their carbon footprint (in kg CO_2eq/kg of milk) is a condition for obtaining an annual bonus and, on the other hand, they can obtain subsidies for the implementation of concrete measures to improve carbon storage on their farm (provision of young plants to develop agroforestry, legume seeds to be planted in pastures and to reduce fertilization, etc.).

INTERVIEW

PATRICE MOULIN
Corporate
General Manager

What are the challenges of the transition to more sustainable agriculture?

P.M.: Our milk supply represents nearly 80% of our greenhouse gas emissions. It is therefore essential that we work to reduce these indirect emissions to achieve our Carbon Net Zero ambition in 2050. This may sound like a long time in the future, but preparation is required now to respect the agricultural time frame and allow for the dissemination of best practices. With milk collection operations in 49 countries, the challenge is considerable: the sectors' level of maturities regarding these technical issues are highly disparate, local civil companies do not all have the same sense of urgency, and our partnering farmers have not all benefited from appropriate training on these topics. As a first step, we have therefore chosen to focus our efforts on 11 pilot countries representing 70% of our global collection; our teams are developing proposals for decarbonization roadmaps based on Science, from a list of 60 actions. We have also set up an international network of Milk Supply CSR contacts, are co-constructing diagnostic and analysis tools with NGOs and universities, and exchanging best practices and their reproducibility in other countries.

What changes does this imply in the day-to-day work of your teams?

P.M.: We are at a key turning point! The missions of our central milk supply teams, at country level, as well as those of our dairy technicians in the field, are enhanced by a highly technical "sustainability" component. We support them through training in animal welfare with CowSignals®, or in the use of environmental diagnostic tools such as Cool Farm Tool (climate and fight against deforestation). We are also taking advantage of our model of direct collection from farmers: we are training partnering farmers, in Brazil for instance, using an animal welfare guide which includes access to videos (via a QR code) to take things one step further. We are also working with local professional federations to boost the same dynamic of support for farmers. Training and education, will enable us to accelerate the transition of agricultural systems.

5.3 REDUCING THE WATER FOOTPRINT OF THE GROUP'S PRODUCTS

DEFINITION

From the production of milk on farms to the downstream management industrial effluents, including on-site cleaning activities, water management is a strategic focus for the Lactalis Group. 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

In the Group's dairies, water is at the heart of the industrial process. It is used:

- in cleaning operations: given the public health challenges, the Group 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 5 pillars of the Lactalis Group's environmental policy, which specifies the following points:

- preserve water resources;
- the rainwater, wastewater and sewage networks are necessarily separated, integrated, and monitored;
- 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;
- handling, storing, and using potentially polluting products under appropriate conditions to ensure environmental protection. The resources implemented are subject to regular inspections, measurements, and corrective actions.

ACTION PLAN

Optimization of water consumption at production sites

While Health and Safety standards are the same in all countries where the Lactalis Group operates, optimizing the use of water is a differentiated path of progress, depending on the nature of the finished products and geographical areas.

Generally speaking, the Group 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 Group 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, the Group 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, the Lactalis Group 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 focus of the Group's policy, to which significant investment is devoted.

Promoting circularity at production sites

Upstream of the treatment plant, several Group sites carry out effluent pre-treatment, which consists of separating a first "batch" of material from the wastewater. The system makes it possible to isolate and recover a highly fermentable sludge, which can then enter a circular economy by supplying anaerobic digestion channels for the production of biogas. Already in use within the Group, this solution has been implemented at certain sites in France, Canada, Ukraine, and Australia.

The Group is also developing several innovative projects to obtain perfectly recycled water at the outlet of the treatment plant, with a view to the implementation of a complete recycling loop (reuse of water entering the plant).

These projects involve membrane techniques that can be combined with activated carbon filters, UV treatments, and oxidation processes that both sterilize the water and give it a compliant bacteriological gradient.

RESULTS

	2020	2021	2022
Water withdrawal (L/kg finished products)	/	6.54	5.73
Wastewater discharge (L/kg finished products)	5	6.27	5.40

The scope of reporting changed in 2020 and 2022: in 2020 it concerned 4 countries, in 2021 it concerned 6 countries, and in 2022 it concerned more than 20 countries (see "7 Methodological Note").

5.4 PROMOTING THE CIRCULAR ECONOMY

5.4.1 IMPROVING PACKAGING SOLUTIONS

DEFINITION

Packaging has essential functionalities, such as preserving the nutritional and organoleptic quality of products, food safety (dairy products are fragile by nature), 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 the geographical areas in which it operates, the Lactalis Group engages in dialogue with its stakeholders in order to raise awareness and promote innovative solutions for a more circular packaging economy.

GOVERNANCE

The Group's packaging policy is designed, monitored, and adapted by the Responsible Packaging & Circular Economy Committee, made up of internal experts from the most relevant departments: Industrial and R&D, Purchasing, Marketing, Regulatory, Communication, 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 the Lactalis Group's 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 Group's main objective is to ensure better circularity.

In its efforts to "close the loop," the Group has broadened its approach by engaging with consumers and 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 3 pillars:

- 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;
- improved circularity: the Group ensures that packaging is made from safe and sustainable materials, used in a way that contributes to the circular economy. The Group 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;
- raising consumer awareness and creating partnerships to close the loop: the Group makes its internal and external stakeholders aware of the collective challenge of circularity.

As part of its packaging policy, the Group has made the following commitments [1]:

- 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;
- 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[2];
- aim to eliminate PVC from the Group's product packaging by 2025 [2];
- 100% of the new packaging graphics for the Group's 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;
- promote events such as Global Recycling Day and World Cleanup Day to raise awareness among Group employees and stakeholders about waste management.

ACTION PLANS

The Group is rolling out an action plan on the 3 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".

The Group 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 France (Isigny-le-Buat site) in 2022, the weight of Président's *Motte* butter block cover was reduced by 11%, equivalent to a 30 metric ton reduction in annual plastic consumption;
- in Italy in 2022, the weight of the caps of our UHT milk PET bottles was reduced by 12.5%, equivalent to a 57 metric ton reduction in annual plastic consumption;
- in Poland (Winnica site) in 2022, the weight of the 1 kg bucket of Twarog cheese was reduced, reducing annual plastic consumption by 75 metric tons.

Better circularity

The teams select packaging materials by analyzing their processes, processing, and their certifications, taking care to avoid any competition with the land used for food production. The Group seeks to avoid packaging materials that disrupt local sorting and recycling channels and is developing the use of recycled materials in its packaging. The Group 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 France, Lactel was the first dairy brand to explore a solution for its UHT milk bottles produced with circular post-consumer recycled HDPE, following the mass balance principle. This advanced recycling technology makes it possible to gradually replace fossil-based plastic with recycled material (rHDPE), in order to contribute to a more circular economy. In 2022, at the Montauban site (RSB, or Roundtable on Sustainable Biomaterials, certified), 2.1 million bottles were produced, incorporating 30% recycled HDPE in mass balance (*i.e.*, 20 metric tons);
- in France, Lactel was also the first brand to include recycled plastic in its stretch films. Today, all of its x6 ranges include 50% recycled plastic in their stretch films;
- Siggi's yogurt, sold in the United States, Canada, Australia, France, Italy, Slovenia and South Korea, has packaging designed to encourage consumers to sort and recycle their waste;
- in Turkey (Pamukova site) in 2022, the virgin PVC lid of labneh pots was replaced with a PET lid, incorporating 50% recycled PET;
- the Group's packaging policy also involves working on transportation packaging. In Belarus (Lyahovichi site) from 2022, the Group's crates used to deliver twarog, UHT milk, kefir, sour cream, and desserts to Lactalis customers are reusable and made from 100% recyclable HDPE.

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.

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 Group is part of the PS25 consortium, made up of several companies in the dairy sector. It aims to set up a polystyrene (PS) recycling channel in France;
- it is part of the FLEX 25 consortium, made up of several companies in the agrifood sector. It aims to develop recycling solutions for flexible PE, PP and PO packaging by 2025 and to return to food packaging that meets traceability requirements by 2030;
- it is part of the PET 25 consortium, which unites several agrifood 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, the Group is participating in the project to develop a recycling channel for opaque white PET;
- in Spain, the Group has joined the Alliance for the Recycling of Small Plastics (ARPP) such as caps and lids. Developed in collaboration with the community and the city council of Valencia, this project aims to sort and recycle around 345 metric tons of plastic per year.

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 2022, 3,300 employees and their families in 43 countries where the Group operates 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

	2019	2021	2022	Target
% recycled material/total material used	30%	32.2%	31.5%	> 30% consolidated Group
Metric tons of PVC in packaging	926	836	803	Aim for 0 metric tons in 2025
% of packaging recyclable by design	83.2%	84.2%	82.5%	Aim for 100% in 2025

The total quantity of recycled material used by the Group increased in 2022, however the ratio of recycled material to the total volume of packaging used is lower due to the increase in volumes produced, changes in specifications on corrugated cardboard, and the choice of a more conservative methodology for calculating the recycled content for glass and steel.

The use of PVC is decreasing due to the many initiatives launched to replace it, particularly in France, Turkey, Poland, and Ukraine.

The decrease in the rate of recyclability by design is linked to the increase in the quantity of flexible packaging and certain types of rigid plastic packaging, as well as the increased reliability of reporting compared to 2021.

5.4.2 COMBATTING 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.

POLICY AND ACTION PLAN

The Group 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 byproducts;
- 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 France, 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, Lactel works with Too Good To Go and has joined the "Waw Brands" coalition for a world without food waste, through 3 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.

INTERVIEW

Anne-Gaëlle LANNIC
General Manager of Lactalis Nestlé Ultra-Frais France

What approach are you implementing to combat food waste?

AG.L.: Food waste is a major problem in France. It is estimated that we throw away 10 million metric tons of products each year! That's between 20 kg and 30 kg per person per year in France. We must all take action! At Lactalis Nestlé Ultra-Frais France, we have identified three areas of work to combat food waste:

- First of all, we want to raise consumer awareness, promote good anti-waste practices at home, and ensure all of our employees adopt this mindset. Our products are fragile by nature, and safety requirements demand that we have use-by dates on most of our products. We systematically study the most optimized possible shelf life to guarantee consumer safety, the best quality in terms of taste, and the longest possible consumption date. When possible, we switch to the "Best before" date. This is the case for our product Nescafé Shakissimo, which was previously sold with a use-by date, and which is now sold in a bottle with a "Best before" date. The product may lose some of its taste but can be consumed after the date without any danger to health;
- we have also set up monthly monitoring of all our unsold products in traditional distribution channels: we analyze the causes and define action plans with our customers and our production sites to keep these volumes to a minimum. When consumable products can no longer be sold, they pass through dedicated "short date" channels, such as anti-waste stores, or are donated to associations;
- Finally, in some cases, products cannot be distributed or even donated due to various regulatory or logistical constraints. This is why we are working on a partnership project with Too Good To Go and on the implementation of anti-waste baskets for 2023.

Can you tell us more about anti-waste baskets?

AG.L.: Some products resulting from industrial tests on recipes or products with packaging errors, for example, are perfectly consumable but not marketable. In 2022, this represented approximately 400 metric tons of products that could have been used. We have decided to carry out a test in 2023 in order to offer these products for sale in partnership with the Too Good To Go app, through anti-waste baskets.

5.5 COMMITTING TO ANIMAL WELFARE

DEFINITION

As the world's leading dairy group and the third largest global milk collector, Lactalis Group pays particular attention to all the animals in its supply chain, and more specifically to the five million dairy animals (cows, buffalos, sheep and goats) producing the milk it processes daily.

The Lactalis Group fully recognizes and respects them as sentient beings, capable of feeling emotions, and deserving of good physical and mental health: contributing to their well-being is the Group's responsibility.

Moreover, animal welfare is a cornerstone for the sustainability of the Group's activities. Indeed, as all our partnering farmers know, there is a close link between animal welfare and production. For example, a cow needs sufficient access to food and water, sufficient bedding space, good hygiene, and much more in order to produce high-quality milk. In fact, ensuring the well-being of animals is part of the daily work of the employees in charge of collection as well as that of the Group's partnering farmers.

GOVERNANCE

Animal welfare governance is organized into three main levels:

- the Group's Management Committee is responsible for the successful implementation of the Lactalis Group Animal Welfare Policy;
- the Animal Welfare Committee is in charge of proposing the policy to the Group's Management Committee, monitoring the actions and the results, and coordinating common actions. It is made up of internal experts from the most relevant departments (Milk Supply and CSR) as well as the Responsible Purchasing Committee. Its work involves regular interactions with a network of Lactalis experts based in the Group's countries of activity (especially from the Country Milk Supply Departments described below);
- with regard to cow's milk, the Country Milk Supply Departments are in charge of implementing actions and reporting (on actions and results) to the Animal Welfare Committee. Each country's Milk Supply Department is composed of a Milk Supply Director and may include a Milk Supply CSR Manager and dairy technicians. With regard to eggs and dairy ingredients, within the Group Purchasing Department, global buyers, in coordination with local buyers, are responsible for implementing the Group's animal welfare policy.

POLICY

The Lactalis Group 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 in force in 2022 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).

Raw milk (dairy cows and calves)

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

1. Ensuring that none of our partnering farmers are responsible for any acts of animal cruelty and that they all comply with local and international regulations.

   The Lactalis Group has zero tolerance to animal cruelty and illegal practices. In order to strengthen the internal management of animal mistreatment cases, the Group has identified two opportunities for improvement:

   - training all employees in contact with partnering farmers in the prevention of cruelty to animals;
   - formalizing an internal procedure to clearly address situations where a partnering farmers is identified as having engaged in animal cruelty and/or illegal practices;
2. Enrolling our direct partnering farmers[1] (and indirect ones where possible) in a process of continuous improvement, phasing out the most problematic practices and implementing best practices.

   This continuous improvement process is mainly based on:

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

Initially, the Group focused its efforts on its direct volumes[1] in 8 pilot countries[2] (representing approximately 45% of its global raw milk collection) and on 10 animal welfare topics. More specifically, in 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-recognized CowSignals® training module,
- assessing 100% of direct volumes by the end of 2025 (2026 in Brazil),
- prioritizing 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 committed to contributing to the development of ambitious national regulations and standards in terms of animal welfare. Its objectives are as follows:

   - Concerning the direct partnering farms, the Group aims to collaborate with governments, international organizations, professional federations, industry, and other stakeholders to work collectively on some animal welfare issue;
   - Concerning the indirect partnering farms where the Group does not have the option to implement the Lactalis Animal Welfare Assessment Program, the aim is to ensure 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 changing international standards in this area;

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.

   This 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 4 commitments described above. Each year, the Group undertakes to publish a Lactalis Animal Welfare Progress Report.

Dairy ingredients (dairy cows and calves)

With regard to dairy ingredients other than raw milk (*e.g.*, powdered milk), the Group's approach to animal welfare is part of its Responsible Purchasing policy overseen by the Group's Purchasing Department.

Under this policy, all Lactalis suppliers, including those supplying dairy ingredients, must commit to compliance with the Lactalis Ingredients and Dairy Materials Charter, which includes principles relating to animal welfare. These principles are also included in the Supplier Code of Conduct, which was rolled out at the end of 2022.

Shell eggs and egg products (laying hens)

The Group uses shell eggs and egg products as ingredients in several of its recipes, and its dairy desserts in particular.

Like for dairy ingredients, the Group's approach to animal welfare concerning shell eggs and egg products is part of its Responsible Purchasing policy overseen by the Group's Purchasing Department.

The Lactalis Group is committed to laying hens' welfare and to the promotion of transparency throughout its supply chain. The Group has engaged in dialogue with specialized non-governmental organizations and its suppliers to play its part in the cage-free transition of the global egg market.

The Group has set the following targets for its sourcing of shell eggs and egg products used as ingredients[3]:

- In the European Union, the Group has undertaken to gradually stop purchasing shell eggs and egg products from caged farming systems ("Code 3") since 2021;
- at global level, the Group will stop purchasing and using shell eggs and egg products from caged farming systems ("Code 3") by the end of 2025.

1 A volume of collected raw milk is considered as "direct" when it comes from a "direct" farm (see previous note)
2 Australia, Belgium, Brazil (Lactalis Do Brasil subsidiary), France, Italy, Spain, United Kingdom, and United States (Lactalis American Group and Stonyfield subsidiaries)
3 Excluding purchases of eggs and egg products used by R&D departments

ACTION PLAN

Raw milk (dairy cows and calves)

In 2022, the Group focused on the implementation of a continuous improvement process with direct farmers in 8 pilot countries. Three priority actions were undertaken:

- **preparation of animal welfare training for dairy technicians.**

  The Group has selected the CowSignals® Training company to create two training modules: the implementation of these training courses is planned for 2023 and will target 13 Lactalis trainers (called "CowSignals® Masters") who will be responsible for training some 200 dairy technicians.

  In France, where this training process was initiated in 2021, all fifty or so technicians have already been trained;

- **assessment of partnering farmers on animal welfare.**

  The assessment of partnering farmers on animal welfare was initiated in 2021: approximately 700 farmers in 9 countries (the 8 pilot countries plus Germany) have been assessed in order to:

  - take stock of their animal welfare performance;
  - enable the definition of the Group's policy in this area. In order to ensure the representativeness of these first 700 farmers, the sampling method was designed with the help of experts from Wageningen University in the Netherlands.

  In 2022, the Group updated its animal welfare assessment method. It is inspired by recognized assessment protocols and programs such as the Welfare Quality Assessment Protocol for cattle, and is based on an operational visit of 2 to 3 hours during which approximately 150 data points are collected.

  Thus, again using the same sampling method, 700 new farmers representative of the 9 countries mentioned above were selected and assessed. In addition, new countries were included in the approach: 300 farmers were assessed in Sweden using a dedicated questionnaire (without audit), 90 in Poland, and the teams in South Africa and Turkey were trained with a view to carrying out assessments in 2023.

  In 2023, the Group plans to assess approximately 33% of direct farmers in the 8 Pilot Countries (*i.e.*, some 6,500 farmers) and to include more countries in the process;

- **awareness-raising/training of partnering farmers on animal welfare.**

  Various awareness-raising and/or training actions have been undertaken in the 8 pilot countries, mainly depending on their performance in relation to the 10 sensitive topics on which Lactalis has made concrete commitments (antibiotics, disbudding and dehorning, etc.).

  For example, in Brazil:

  - an technical guide on animal welfare for farmers has been published by local teams. It refers to short videos in order to multiply the communication media;
  - an external service provider was commissioned to train around 400 partnering farmers on the subject. These training courses are individual and carried out directly at the farms.

Finally, in addition to these three priority actions, the Group consolidated and analyzed the data collected during the 700 assessments carried out in 2021 in order to prepare the first Lactalis Group Animal Welfare Progress Report, which is expected to be published early 2023.

Shell eggs and egg products (laying hens)

For several years, global and local buyers have engaged in discussions with suppliers of eggs and egg products used as ingredients to ensure that all volumes purchased come from cage-free systems.

In the European Union, this has been the case since the end of 2021 for 99.9% of volumes. Globally, work is underway with the suppliers concerned by the last remaining volumes to be converted.

RESULTS

2022 is the first year of the effective implementation of the Lactalis Group Animal Welfare Policy.

With regard to raw cow's milk, this year was dedicated to the launch of the approach:

- For direct volumes, the Lactalis method of assessing partnering farms was consolidated and new assessments were carried out, mainly with the aim of training local teams. In total, some 700 new assessments were carried out. The latter explain the slight increase (+4% compared to 2021) in the "Percentage of direct annual volume of collected raw milk coming from partnering farms regularly assessed on animal welfare (at least once every 3 years)" indicator reported below.
- For indirect volumes, the "Percentage of indirect annual volume of collected raw milk coming from partnering farms regularly assessed on animal welfare (at least once every 3 years)" indicator was included in the approach in order to extend the scope monitored.

With regard to shell eggs and egg products, the commitments made by the Group predate the publication of the Lactalis Group Animal Welfare Policy, although they are reiterated in the latter. Thus, most of the progress had already been made in previous years. In 2022, the last volumes of shell eggs were converted to "cage-free".

	2020	2021	2022	Target
Percentage of direct annual volume of collected raw milk coming from partnering farms regularly assessed on animal welfare (at least once every 3 years)	/	31%	35%	100% in 2025 (2026 in Brazil)
Percentage of indirect annual volume of collected raw milk coming from partnering farms regularly assessed on animal welfare (at least once every 3 years)	New indicator	New indicator	66%	/
Percentage of annual shell egg volume purchased in the EU from cage-free systems	62.06%	96.29%	100%	100%
Percentage of annual volume of egg products purchased in the EU from cage-free systems	54.12%	99.31%	99.92%	100%
Percentage of annual shell eggs purchased worldwide from cage-free systems	62.06%	96.29%	100%	100% in 2025
Percentage of annual volume of egg products purchased worldwide from cage-free systems	52.90%	91.41%	92.14%	100% in 2025

6. VIGILANCE PLAN 2022

6.1 INTRODUCTION

Created in 1933 by André Besnier in Laval, the Lactalis Group 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, milk, yogurts, chilled dairy products, butter and cream, powdered formula for infants and adults, clinical nutrition products, and dairy ingredients.

As a major player in the dairy industry, the Group 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 and ordering 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. The vigilance working group collaborates 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, the Audit and Legal Affairs General Manager, the Group Director of Legal Affairs, and the Group Audit Director.

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, 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 Audit Department is responsible for monitoring the implementation of the plan within the Group.

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.

The Group 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 where the Group operates, Lactalis 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. The Group 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 & 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 the Group;
- 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 Lactalis Group's activities (see Chapter 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 and 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
Health & Safety	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.
Human resources and social issues	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.
Food safety	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.
Water, energy and GHG emissions (scopes 1 and 2)	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.
Responsible packaging and circular economy	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.
Biodiversity and forests	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.
Safety and sustainability of upstream milk production methods	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 the Group's activities and to all countries. The Group has also defined a risk analysis methodology, which is currently being rolled out. Throughout the Group, all plants, 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 is based on the assessment of site risks based on accident results and the results of Group Health & Safety audits. This assessment system is then used to define the Group's annual Health & Safety audit plan and priority actions. The risk mapping is regularly updated.

At the same time, the Group Social Relations Department, within the Human Resources Department, launched a pilot project to assess social risks: the aim of this pilot project is to accurately identify social irritants with a view to mitigating these risks and thus improving social dialogue.

Initially, the Group conducted a survey in a sample of plants in 10 countries to identify the main issues concerning labor relations and to assess the quality of social dialogue on a local level.

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 plants 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 potential 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 sensitive stages are mapped on each site.

MAPPING OF ENVIRONMENTAL RISKS WITHIN THE GROUP'S ACTIVITIES

The Group's Energy & Environment Department analyzes the Group's 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 the Group, 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

Following the analysis 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.

The following table describes the environmental, social, and governance risks assessed for each category of purchasing:

Risk category	Risks	Description of CSR risks
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 (NOx), sulfur oxides (SOx), 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, the Group defines an action plan to assess and mitigate the risk identified.

In the specific case of the environmental risk related to biodiversity and living natural resources, the Group has assessed the risks related to deforestation. For this, a risk analysis method based on 3 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, the Group refers to reports from NGOs such as WWF as well as studies commissioned by government bodies such as CST Forêt, for example.

- the "scope" of the risk, corresponding to the quantity of each commodity used by the Group.

  To assess this criterion, the Group 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.

Focus on upstream farming

For upstream farming, the Group has mapped the risks related to animal welfare, CO_2 emissions, and deforestation based on diagnostic data from audits of dairy farms in 8 pilot countries. This mapping serves as a basis for the construction of animal welfare action plans initially, both at the global level (for example, generalization of farm audits and training of Lactalis dairy technicians on animal welfare), 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 OF 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 performance indicators 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 the Group and its subsidiaries, the Human Resources and Group 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 plants. 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 in the plants and 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 labor relations within the Group, at the level of workshops (warehouses and plants), sites, and countries.

As part of this project, every week, 3 pilot sites identify social irritants or issues in the field and seek to resolve them. Social irritants can be related to social dialogue, well-being at work, or Health and Safety, for example (see Chapter 3.2.5 "Promoting social dialogue").

These pilot projects will make it possible to closely monitor social risks in the plants and to quickly remedy any problems detected. Depending on the results of the pilots, the project may be rolled out throughout the Group.

EMPLOYEE SURVEYS

An engagement survey is conducted every 2 years in each country in which the Group 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 plant, 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 implements a food safety management system at its industrial sites, based on ISO 22000, FSSC 22000, IFS, BRC, or SQF standards.

At Group level, a team of experts is responsible for supporting the sites through consulting, training, and quality audits.

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.

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 in the plants of its subsidiaries. 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 at the plants. 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.

The Group has set itself the goal of obtaining ISO 14001 certification for all its plants processing more than 300,000 liters of milk equivalent per day, and of submitting all its plants processing more than 100,000 liters of milk equivalent per day to an annual internal audit of the environmental management system.

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, Lactalis is working on the implementation of an eco-design tool for packaging, with the aim of assessing 100% of its current and future packaging solutions for pillar products, as well as new packaging solutions by 2025[1]. This tool will integrate lifecycle assessment methodologies.

1 Ambition for 23 countries, *i.e.*, 85% of the Lactalis Group's production volume. All acquisitions since December 2019 excluded at this stage.

6.6.5 MEASURES TO ASSESS 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.

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.

ASSESSMENT MEASURES FOR DAIRY SUPPLIERS

In addition to the implementation of the guidelines developed by the local inter-professional and sectoral organizations to which it adheres, in 2021 the Lactalis Group developed an international tool for assessing the sustainability of its partnering farmers. In 2021, this audit was rolled out to 700 farms in 9 pilot countries. The sampling system, developed with the help of experts from Wageningen University & Research, is representative of the farms in these countries (nearly 20,000 in total), representing over 45% of the Group's annual global milk supply.

This audit includes animal welfare criteria. Lactalis has defined an animal welfare assessment program in order to identify areas for improvement at each farm and to define the most relevant improvement measures. This program was created in collaboration with recognized third parties, such as universities and non-governmental organizations. The Group's program provides for assessments to be carried out at farms every 3 years according to measurable criteria to assess compliance with the "Five Freedoms." Announced by the World Organisation for Animal Health (WOAH), the "Five Freedoms" describe society's expectations for the conditions animals should experience when under human control, namely:

- freedom from hunger, malnutrition and thirst;
- freedom from fear and distress;
- freedom from heat stress or physical discomfort;
- freedom from pain, injury and disease;
- freedom to express normal patterns of behavior for their species.

This program is being rolled out in 8 countries and addresses 10 issues related to animal welfare.

This audit also includes a measurement of greenhouse gas emissions from farms. Lactalis has selected the Cool Farm Tool from the Cool Farm Alliance (CFA) to carry out this diagnostic. Since 2021, the Lactalis Group has also been a member of the Cool Farm Alliance.

Lastly, this audit includes criteria to measure a farm's risk of exposure to deforestation related to soybeans and palm oil derivatives that may be present in livestock feed.

6.7 MITIGATING RISKS AND PREVENTING SERIOUS HARM

The Lactalis Group is a signatory of the United Nations Global Compact. The Group 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 the Group, the levels of activity in each product universe, and the Group's medium- and long-term strategic areas of development.

In addition, the Group is working on a social risk assessment project that aims to improve social dialogue through weekly meetings at the plants.

PROMOTING DIVERSITY

The Group Human Resources Department is responsible for developing a Group diversity policy. 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 Group operates.

An e-learning course on diversity is already available to all employees in France.

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.

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 I²FA program in partnership with the *École Supérieure des Agricultures* (ESA), foreign students from 30 different countries follow a work-study program for 2 years which enables them to access positions of responsibility within the Lactalis Group's local teams.

In 2021, Lactalis set up a Lactalis Apprenticeship Training Center (CFA) focused on the dairy industry.

Disability

The Lactalis Group 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, 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.

Other initiatives are rolled out by the Group's subsidiaries in the countries in which they operate (see Chapter 3.2.3 "Promoting diversity").

SOCIAL SECURITY COVERAGE

The Group has drawn up guidelines enabling its subsidiaries to implement local health and life insurance and retirement measures.

WELL-BEING AT WORK

The Group 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.

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

In France, the Group 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. 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 psychosocial 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.

The Group's Health & Safety policy defines the Group's ambition to move towards zero workplace accidents and zero occupational diseases. To achieve this ambition, the Group is committed to:

- leading a continuous approach to risk reduction;
- assessing and ensuring compliance with current regulations, applicable requirements and Lactalis Group standards;
- designing, operating and maintaining facilities and means of transport in a safe manner;
- communicating in a clear and transparent way;
- strengthening the skills of all and developing the Health and Safety culture;
- promoting employee engagement and participation by defining their roles and responsibilities and reporting any risky situation or adverse event impacting Health and Safety.

The Group's Health & Safety policy is displayed at each site. 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 Group implements a preventive Health and Safety at work program based on three pillars:

- an occupational Health and Safety management system to reduce risks;
- emphasis on the notion of Leadership, to ensure Managerial commitment: Managers must carry out operational visits focused on safety. On site, 100% of Managers have Health and Safety objectives;
- an autonomous and interdependent Health and Safety culture.

The Health & Safety action plan is based on the following priorities:

- reducing risks and gaps:
  - by improving the quality of risk assessments;
  - through the generalized watch and monitoring of regulatory compliance on a list of 25 priority countries;
  - by standardizing risk management for the Group's industrial, logistics, and support activities:
    - for example, the Group works with external specialists to carry out an inventory of machinery compliance at all sites,
    - fire safety audits are carried out at all plants in accordance with the Group's fire safety standards;
- improving the reporting and analysis of undesirable events:
  - by improving the reporting of undesirable events;
  - by improving the quality of analyses of undesirable events;
  - by improving the reporting and analysis of serious and potentially serious accidents;
- improving and developing Leadership and the Health and Safety culture:
  - by gradually rolling out the Workstation Safety Checks in 20 main countries;
  - by promoting the development of the Health and Safety culture through appropriate communication initiatives;
  - by improving Health and Safety rituals (meetings, briefings, 15-minute breaks, etc.);
  - by training Managers and employees in Health & Safety.

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, the Group 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.

The Group Quality Department coordinates the network of Quality Managers within the Group. 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.

6.7.4 MEASURES TO MITIGATE AND PREVENT ENVIRONMENTAL IMPACTS

The Group 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;
- packaging.

These 3 policies, as well as the policy on the use of palm oil, can be consulted on the Lactalis intranet and website.

REDUCTION OF THE ENVIRONMENTAL IMPACT AND CARBON FOOTPRINT OF THE GROUP'S ACTIVITIES

To reduce the environmental impact of its activities, the Lactalis Group 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 is being rolled out to monitor changes in environmental KPIs and the implementation of action plans.

The Group's Energy and Environment Department has created 4 action plans that will be gradually rolled out in 2022. These action plans aim to improve Lactalis' impact on the environment over a period of 10 years.

- plan relating to technological resources through the implementation of the necessary modernizations of Lactalis systems and infrastructures in order to guarantee their regulatory compliance, their effectiveness, and the reduction of the associated risks;
- plan for the development of skills available at the sites to guarantee a sufficient level of operational control for the Group's sites;
- plan for the deployment, at all of the Group's plants, of operational control tools and an environmental management system based on ISO 14001, with 3 levels of commitment depending on site size: external site-by-site certification, certifiable management system, environmental fundamentals;
- plan for the gradual reduction of greenhouse gas emissions from the Group's industrial and logistics activities (scopes 1 and 2).

Reduction of atmospheric emissions

In early 2022, the Lactalis Group 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.

The Group has set itself the following objectives:

- reduce carbon emissions from the Group's activities (scopes 1 and 2):

  The Group 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):
  The Group works with its partners to find sustainable solutions to transform current production systems. In order to ensure more sustainable production practices, the Group engages in partnerships with its farmers and with renowned technical institutes, policy makers, and professional associations to tackle greenhouse gas emissions at farm level.

The Group's climate policy is public and can be accessed from the Lactalis Group website.

Energy efficiency and renewable energies

To limit the impact of its industrial activities on the environment and the climate, the Group has an energy management policy based on three principles: energy sobriety, energy efficiency, and transition to low-carbon energy sources. The Group 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

The Group 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, the Group 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 and preservation of resources

The Group 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.

Tailored training programs are being developed to promote harmonized best practices.

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.

The Group has developed action plans to achieve the following objectives:

- 100% of current and future packaging solutions for pillar products and packaging for product innovations screened using an eco-design tool by 2025[1];
- 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;
- ensure the recyclability of packaging through 2 ambitions:
  - aim for 100% recyclable packaging by design in 2025[1];
  - aim for 100% recyclable packaging in practice for countries with an Extended Producer Responsibility scheme[2];
- ensure 100% of the virgin paper used is covered by a certification by the end of 2023[2];
- elimination of PVC in packaging by 2025[2].

The Lactalis Group 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[1];
- develop an information module on the Lactalis packaging policy so that employees can become ambassadors from 2023[2];
- promote events such as "World Cleanup Day"[2] 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 Lactalis Group website.

6.7.5 MITIGATION MEASURES WITHIN THE SUPPLY CHAIN

AWARENESS-RAISING OF SUPPLIERS (EXCLUDING DAIRY FARMERS)

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;
- 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, the Lactalis Group 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.

FIGHT AGAINST DEFORESTATION

The Group's policy in terms of combating deforestation is based on risk mapping by commodity and by country of production.

The Group's approach to combating deforestation is based on the following pillars:

- the identification of the exposure of Lactalis activities to the commodities most at risk of deforestation-conversion;
- the coverage of direct purchases of these commodities by certificates guaranteeing responsible processes;
- raising awareness among stakeholders, and in particular suppliers and partnering farmers, of the potential impacts of untracked volumes;
- dialogue with non-governmental organizations and other exchange platforms to improve the collective identification of volumes at risk of deforestation-conversion.

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.

Palm oil and derivatives

The Lactalis Group 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[1]:

- 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;
- The Group will participate in at least one initiative to support small farms each year (starting in 2023);
- The Group will participate 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 Lactalis Group website.

Paper and cardboard

To reduce the risk of deforestation related to its paper and cardboard packaging supply chain, the Group has committed to ensuring that 100% of its purchases of virgin paper for its packaging is certified for responsible origin by the end of 2023.

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 8 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 (for 45% of the total annual volume of raw milk collected by Lactalis) by 2025 (2026 for Brazil).
In Sweden, the Group 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

Raw milk (dairy cows and calves)

Lactalis has defined and published an animal welfare policy shared with NGOs. This policy promotes zero tolerance to animal cruelty and unlawful practices. Lactalis is committed to ensuring that none of its partnering farmers are responsible for acts of animal cruelty and that they all comply with local and international regulations. Lactalis has been an associate partner of the Welfare Quality Network since 2021. The activities of this network include, among other things, the review of assessment protocols and the prioritization of research activities on specific issues related to the welfare of farming animals.

Lactalis has developed the following action plan:

- training on the prevention of animal cruelty and raising awareness of national and international unlawful practices for people in contact with farms;
- development of an internal procedure to rigorously address any violation of animal welfare rules;
- enrolling our direct partnering farmers (and indirect ones, where possible) in a process of continuous improvement, phasing out the most problematic practices and implementing best practices;
- advocating for the implementation, deployment, and reinforcement of ambitious national animal welfare standards;
- collaborating with our stakeholders to improve scientific knowledge and develop innovations on animal welfare;
- in addition, Lactalis will communicate publicly on the progress made.

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 December 2020 excluded at this stage.

The Group has initiated pilot projects on 10 key themes relating to animal welfare. More specifically, in 8 pilot countries, the Group aims to:

- train 100% of its dairy technicians by 2023;
- assess 100% of its direct volumes by 2025;
- prioritize work on the following sensitive topics: tethering, bedding space, raising calves in groups, access to pasture, effective species-specific environmental enrichment, growth hormones, antibiotics, disbudding/dehorning, tail-docking, and animal-derived proteins in feed.

The Group's animal welfare policy is public and can be accessed from the Lactalis Group website.

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. 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, the Lactalis Group 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.

The Lactalis Group's ambition is as follows:

- in the European Union, the Group has undertaken to gradually stop purchasing shell eggs and egg products from caged farming systems (also known as "Code 3") since the end of 2021;
- globally, the Group will stop purchasing and using shell eggs and egg products from caged farming systems (also known as "Code 3") by the end of 2025.

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 OF MEASURES AND ASSESSMENT OF THEIR EFFECTIVENESS

Lactalis deploys the Vigilance Plan in each Group subsidiary.

As stated previously, the Lactalis Group 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 3 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 to the Group's Management Committee every 6 months.

In addition to the CSR dashboard, Lactalis will monitor KPIs to assess the effectiveness of the measures. These KPIs will be presented to the Strategic Committee in charge of vigilance. They will also be included in the vigilance plan report.

Thanks to the governance in place (see Chapter 6.2 "Governance"), the Strategic Vigilance Committee will monitor the effectiveness of actions and may request adjustments if necessary.

6.10 REPORT ON THE 2022 VIGILANCE PLAN

6.10.1 SUMMARY OF VIGILANCE INDICATORS

The Lactalis Group has set up a dedicated reporting and monitoring process for the various issues related to its duty of vigilance. 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 the Group.

Below are the indicators for 2022 relating to risks identified by the Lactalis Group in the context of the implementation of the vigilance in the Group's activities and with regard to its suppliers:

Issue	Indicators[1]	Value in 2022
Health and Safety within the Group's activities	Number of personal Health and Safety audits carried out	31
Social issues within the Group's activities	Percentage of women in leadership positions	26.7%
	Percentage of HR advisors trained in the "Lactalis Labor and Employee Relations Way"	60.6%
	Number of professional opportunities for young people under 30	7,855
Food safety and quality	Number of Group Quality audits	60
	Number of advisory visits	70 physical and 3 remote advisory visits
	Number of internal people trained in Health and Safety	138
	Percentage of industrial activities certified according to at least one of: ISO 22000, FSSC 22000, IFS, BRC, SQF	83%
Issues related to suppliers and subcontractors	Percentage of purchased volumes of palm oil and derivatives covered by sustainable certification	83.3%
	Number of suppliers audited by the Lactalis Supplier Audit team	150
	Number of subcontractors audited by the Lactalis Supplier Audit team	68
Animal welfare	Percentage of annual direct volume of raw milk collected from partnering farmers regularly assessed in terms of animal welfare (at least once every 3 years)	35%
	Percentage of annual indirect volume of raw milk collected from partnering farmers regularly assessed in terms of animal welfare (at least once every 3 years)	66%
	Percentage of of shell eggs from cage-free systems in the Group's supply chain	100%
	Percentage of of egg products from cage-free systems in the Group's supply chain in Europe	99.92%
	Percentage of of egg products from cage-free systems in the Group's supply chain	92.14%
Packaging circularity	Percentage of of volumes of virgin cardboard covered by sustainable certification	82.7%
	Percentage of recycled material/total material used	31.5%
	Metric tons of PVC in packaging	803
	Percentage of of packaging recyclable in practice in countries with an Extended Producer Responsibility scheme	82.5%
Environmental issues within the Group's activities	Number of internal environmental audits carried out	31

1 See the methodological note for comments regarding the scope of the indicators.

6.10.2 SUMMARY OF ACTIONS IMPLEMENTED IN 2022

Type of risk concerned	Summary of alerts and actions to implement the vigilance plan in 2022
Governance	The Group has defined and implemented dedicated governance for its priority projects. The Group has published its policies on the climate, animal welfare, the circularity of packaging, and its palm oil supplies, and has created a dashboard on CSR commitments for the Group's Management Committee, the international CSR network, and the Senior Management of the countries. The Group has implemented and communicated access to its secure and anonymous whistleblowing platform: Lact@lert.
Health Safety	The Group has reviewed its Food Quality and Safety strategy "Act For Quality, because we care." The Food Quality and Safety commitments were also reviewed and validated. Lactalis has launched an employee information and awareness-raising campaign on its "Act for Quality, because we care" strategy. The Group was cited by the NGO Disclose in a report mentioning non-compliance related to health safety. The Group indicated that the Administration's recommendations or requests were followed up with the authorities and corrective action was taken when required. 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.
Human rights	The Group has launched a project to promote social dialogue at 3 pilot sites. A Diversity, Equity and Inclusion working group was created at Group level with the task of defining a Group action plan and commitments. The Group has included in its 2023 action plan its participation in the Business and Human Rights accelerator of the Global Compact
Health & Safety	The Health and Safety Policy was signed by the CEO of the Lactalis Group and distributed to all countries. The 12 golden rules are displayed in each workshop at the Group's sites. The Group is implementing Health and Safety action plans in all countries: the deployment of a reporting tool for Health and Safety indicators has been initiated, and Health and Safety awareness-raising sessions have been held for members of the Management Committees. In addition, the Group took part in World Health and Safety Day, during which many subsidiaries offered awareness-raising events.
Environment	The Group has published its climate policy and has drawn up action plans to reduce the greenhouse gas emissions of its scope 1 and 2 activities (industrial, transport and logistics). The Group has worked on the calculation of its greenhouse gas emissions for its scope 3 activities and on the construction of its commitments for scope 3. The Group took part in the Climate Ambition Accelerator offered by the Global Compact. The Group is implementing environmental action plans in all countries and has rolled out a reporting tool for environmental indicators (see Chapter 5 "Preserving the planet and its resources"). The Group organized the World Cleanup Day 2022 event: 3,300 employees and their families in 43 countries took part and collected 30 metric tons of waste.
Responsible purchasing and biodiversity	The Group has drafted its Supplier Code of Conduct and launched its deployment, which will continue in 2023. With regard to palm oil, the commitments included in the palm oil policy have been rolled out in the relevant countries. A webinar was prepared for buyers who need to implement this policy locally. For soybeans in animal feed, a partnership with the Earthworm Foundation has agreed and aims to: • estimate volumes; • identify the countries most at risk; • implement a trial solution for the France Division.

Type of risk concerned	Summary of alerts and actions to implement the vigilance plan in 2022
Animal welfare	The Group has published its animal welfare policy and has defined deployment plans for the implementation of commitments in the 8 pilot countries (representing 45% of the Group's raw milk supplies and 20,000 partnering farmers). In 2022, the Group launched a new campaign of Upstream CSR assessments on a sample of farms. The audit includes animal welfare questions, a carbon diagnosis, and questions to identify the impact on deforestation of the animal feed used by the farmer. The Group has signed a partnership with CowSignals®, an organization specializing in animal welfare training, for the training of dairy technicians in its pilot countries. 5 new countries have been prepared for the deployment of Upstream CSR assessments, and some have already been launched: Poland, Portugal, the Netherlands, South Africa, and Turkey. The Group has drawn up a Lactalis Animal Welfare Progress Report, which is scheduled for publication in early 2023. With regard to the supply of eggs and egg products, the Group has continued to roll out the action plan to achieve the objectives set out in its animal welfare policy.
Packaging circularity	The Group has drafted and published its packaging policy, and has set up a governance for the issue of packaging circularity within the Group and in the countries where it operates. The Group has built its roadmaps for the implementation of the packaging policy in 23 priority countries. At the same time, the R&D Department qualified and tested an eco-design tool with a view to its deployment in 2023 in an initial list of 14 countries. Training on the tool was launched for local teams in charge of packaging. In practice, the prioritization of risks has led the Group to focus its mitigation and prevention actions on plastic packaging and plastics used for the Company's operations. Thus, in accordance with the principles of its packaging policy, the Group has worked on several projects related to plastic, such as: • The integration of recycled plastic in its stretch films at Lactel. Today, all Lactel x6 ranges include 50% recycled plastic in their stretch films. • The launch of a campaign called "Recyc'lait" by Lactel, to raise consumer awareness of proper sorting habits, with a reminder that the bottles are recyclable, in 2019 and 2021. • In France, for products that do not have recycling channels, and in particular for certain plastics, the Group is committed to the creation of these channels through three consortia: - The PS25 consortium, whose objective is to set up a polystyrene (PS) recycling channel in France. - The FLEX 25 consortium, whose objective is to develop recycling solutions 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, whose objective is to encourage the development of new rigid, sealed or non-sealed packaging technologies. A study phase is currently underway for the creation of an industrial sector for the recycling of PET household packaging by 2025. The Group has received a formal notice from the NGOs Surfrider Foundation, ClientEarth, France Nature Environnement and Zero Waste France regarding plastic pollution. The Lactalis Group responded to the formal notice by detailing the commitments and actions implemented as part of its vigilance plan and its packaging policy. In a spirit of co-construction and dialogue with stakeholders, Lactalis invited NGOs to share proposals for actions and innovations in order to feed into Lactalis' continuous improvement approach.

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, CSR, Milk Supply, Energy and Environment, Supply Chain, Human Resources, Health and 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 experts 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, 2022 to December 31, 2022.

The previous report covered the period from January 1, 2021 to December 31, 2021.

The scope of the activity covered by the various indicators is as follows:

Theme	KPI	Scope covered in 2022	Coverage rate 2022
QUALITY	Percentage of sites (activities) with at least one of the following certifications: ISO 22000, FSSC 22000, IFS, BRC, SQF	Group scope	100% of Group revenue
SOCIAL/HR	Resignation rate	Group excluding the following entities: Egypt; Nutrition Asia; Nutrition New Zealand; Nutrition Australia; Malaysia; R&D except France.	94% of the Group's workforce
	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 45 countries between 2021 and 2022	81.7% of the Group's workforce
	Percentage of target Human Resources teams trained in the Group's Social Dialogue Model (%)	Group scope except Egypt	94% of the Group's workforce
	Proportion of women in leadership positions (%)	Group excluding the following entities: Egypt; Nutrition Asia; Nutrition New Zealand; Nutrition Australia; Malaysia; R&D except France.	94% of the Group's workforce
ANIMAL WELFARE (raw cow's milk)	Percentage of annual direct volume of raw milk collected from partnering farmers regularly assessed in terms of animal welfare (at least once every 3 years)	Australia, Belgium, Brazil (Lactalis Do Brazil), Canada, France (Milk purchasing, Unicoolait, Canélia-Ucanel, Wachli, Girod), Germany (excluding BMI), Italy (Galbani, Parmalat, and Castelli), Spain, Sweden, United Kingdom, USA (Lactalis American Group and Stonyfield)	64% of the total volume of raw milk collected by the Group
	Percentage of annual indirect volume of raw milk collected from partnering farmers regularly assessed in terms of animal welfare (at least once every 3 years)		

Theme	KPI	Scope covered in 2022	Coverage rate 2022
ANIMAL WELFARE (shell eggs and egg products from laying hens)	Percentage of annual volume of shell eggs purchased in the EU from cage-free systems (%)	All Group activities in the European Union	100% of Group revenue in the European Union
	Percentage of annual volume of egg products purchased in the EU from cage-free systems (%)		
	Percentage of annual volume of shell eggs purchased worldwide from cage-free systems (%)	Group scope	100% of Group revenue
	Percentage of annual volume of egg products purchased worldwide from cage-free systems (%)		
ENVIRONMENT	Energy consumed/volume of finished products	This KPI concerns 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.	85.7% of the Group's production volume
	Water withdrawal/volume of finished products		
	Wastewater discharge/volume of finished products		
	Scope 1 GHG emissions (TCO_2e) (industrial sites, warehouses, vehicle fleet)	France, Canada, Brazil, Spain, Italy, USA, Australia, South Africa, Turkey, Germany, Croatia, Romania, Sweden, Slovenia, Poland, Czech Republic, Belgium, Portugal, UK, Switzerland	81.9% of the Group's production volume
	Scope 1 biogenic emissions (TCO_2e) (industrial sites, warehouses, vehicle fleet)		
	Scope 2 GHG emissions (TCO_2e) (industrial sites, warehouses, vehicle fleet)		
RESPONSIBLE PACKAGING AND THE CIRCULAR ECONOMY	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	85% of the Group's production volume
	Percentage of recycled material/total material used (%)		
	Metric tons of PVC in packaging		
	Percentage of packaging recyclable by design (%)		
BIODIVERSITY	Percentage of palm oil and derivatives certified RSPO for direct use (direct purchase and processing) (%)	Group scope	100% of Group revenue

7.3 REFERENCE FRAMEWORK

This report complies with Article L. 225-102-1 of the French Commercial Code.

The reference framework for calculating and establishing performance indicators is available on request by email: sustainability@fr.Lactalis.com

Acquisitions are included in the CSR reporting within 2 years of their consolidation by the Lactalis Group.

For KPIs related to the environment and greenhouse gas emissions, this period is extended to 3 years.

Example: if an acquisition is made in 2022, it must be included in the reporting for the year 2024 for all KPIs except those related to the environment and greenhouse gas emissions, which will be included in the reporting for the year 2025.

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 Officer, 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 the Group. The results of the survey are valid for 2 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.

The percentage of HR Managers trained in the Group's social model is based on an annual survey conducted by the Group's 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 the Group 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 12/31/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 AND 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 or 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 (excluding France);
- an independent logistics site (outside France);
- collection center with pasteurization.

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 the Group (owned directly or under long-term leases) 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.

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 the Lactalis Group 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 3 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. The Group 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.

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 scope 1 and 2 reporting in 2022. Reporting on these emissions will begin next year;
- energy consumption related to the pumps of tank trucks or refrigeration units on trailers. Reporting on these emissions will begin 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 on animal welfare comes from a specific report produced by the Milk Supply and CSR Departments.

Animal welfare audits are valid for 3 years.

The following are considered to be direct supplies of milk:

- volumes from farms for which there is a contract between the farm and the farmer; and/or
- the volumes for which Lactalis can offer the farmer a plan to improve animal welfare practices without requiring the authorization of a third party.

The other volumes are considered indirect.

Information on eggs (quantities purchased and cage codes) is extracted annually from the Group's Purchasing Management Control information system. They concern shell eggs and egg products (laying hens) used as ingredients in some of the Group's products, such as dairy desserts, for instance.

Purchases of eggs for R&D uses are not covered by this indicator.

7.4.7 FOOD SAFETY INDICATORS

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 12/31/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 plant has several activities, each of the certified activities is included in the reporting.

The following are excluded from the reporting: milk pasteurization and collection 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 material, 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, *https://emf.thirdlight.com/link/reporting-Resources-2022/@/preview/8*).

The certifications recognized for the indicator on the proportion of certified virgin fibers from responsibly managed forests are: FSC, PEFC or SFI.

7.5 DATA CONTROL AND VERIFICATION

- Internal verification: the data from the aforementioned reports are checked by the Business Line experts and by 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 party: the list of audited data is specified in the appendix of the opinion. Verification takes place at 3 levels, depending on their availability:
  - at production site level for information concerning energy, water, the environment, and Health and 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 Statement between 2021 and 2022. This change does not make it possible to compare the indicators from one year to another.

8. CROSS-REFERENCE TABLES

8.1 CROSS-REFERENCE TABLE WITH THE GRI STANDARD

GRI STANDARD	DISCLOSURE	Elements of the Sustainability report in line with GRI requests
GRI 2: General Disclosures 2021	2-1 Organizational details	1 Presentation of the Lactalis Group
	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 report of the Independent Third Party
	2-6 Activities, value chain and other business relationships	1 Presentation of the Lactalis Group
	2-7 Employees	3.2.1 Lactalis Group employees
	2-9 Governance structure and composition	1 Presentation of the Lactalis Group
	2-10 Nomination and selection of the highest governance body	1 Presentation of the Lactalis Group
	2-12 Role of the highest governance body in overseeing the management of impacts	1 Presentation of the Lactalis Group
	2-13 Delegation of responsibility for managing impacts	1 Presentation of the Lactalis Group
	2-14 Role of the highest governance body in sustainability reporting	1 Presentation of the Lactalis Group
	2-15 Conflicts of interest	2.5 Guaranteeing fair practices
	2-17 Collective knowledge of the highest governance body	1 Presentation of the Lactalis Group
	2-20 Process to determine remuneration	3.2.6 Offering competitive compensation and benefits
	2-22 Statement on sustainable development strategy	Editorial by Emmanuel Besnier
	2-23 Policy commitments	2.6 Building a positive chain of responsibility with suppliers 6 Vigilance plan 2022
	2-24 Embedding policy commitments	2.6 Building a positive chain of responsibility with suppliers 6 Vigilance plan 2022
	2-25 Processes to remediate negative impacts	6 Vigilance plan 2022
	2-26 Mechanisms for seeking advice and raising concerns	2.5 Guaranteeing fair practices 6 Vigilance plan 2022
	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
GRI 3: Material Topics 2021	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 and tasty products 5 Protecting the planet and its resources 6 Vigilance plan 2022

GRI STANDARD	DISCLOSURE	Elements of the Sustainability report in line with GRI requests
GRI 205: Anti-corruption 2016	205-2 Communication and training about anti-corruption policies and procedures	2.5 Guaranteeing fair practices
GRI 301: Materials 2016	301-1 Materials used by weight or volume	5.4.1 Improving packaging solutions
	301-2 Recycled input materials used	5.4.1 Improving packaging solutions
GRI 302: Energy 2016	302-3 Energy intensity	5.2 Climate action
GRI 303: Water and Effluents 2018	303-1 Interactions with water as a shared resource	5.3 Reducing the water footprint of the Group's products
	303-3 Water withdrawal	5.3 Reducing the water footprint of the Group's products
	303-4 Water discharge	5.3 Reducing the water footprint of the Group's products
	303-5 Water consumption	5.3 Reducing the water footprint of the Group's products
GRI 304: Biodiversity 2016	304-2 Significant impacts of activities, products and services on biodiversity	5.2 Climate action
GRI 305: Emissions 2016	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
GRI 306: Waste 2020	306-1 Waste generation and significant waste-related impacts	5.1 Industrial environmental strategy 5.5.1 Improving packaging
	306-2 Management of significant waste-related impacts	5.2 Industrial environmental strategy 5.4.1 Improving packaging solutions
	306-3 Waste generated	5.4.1 Improving packaging solutions
	306-4 Waste diverted from disposal	5.4.1 Improving packaging solutions
	306-5 Waste directed to disposal	5.4.1 Improving packaging solutions
GRI 308: Supplier Environmental Assessment 2016	308-1 New suppliers that were screened using environmental criteria	2.6 Building a positive chain of responsibility with suppliers 5.2 Climate action 5.5 Committing to animal welfare
	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 5.5 Committing to animal welfare
GRI 401: Employment 2016	401-1 New employee hires and employee turnover	3.2.2 Attract, retain, and develop talent

GRI STANDARD	DISCLOSURE	Elements of the Sustainability report in line with GRI requests
GRI 403: Occupational Health and Safety 2018	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 2022
	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
GRI 404: Training and Education 2016	404-2 Programs for upgrading employee skills and transition assistance programs	3.2.2 Attract, retain, and develop talent
GRI 405: Diversity and Equal Opportunity 2016	405-1 Diversity of governance bodies and employees	3.2.3 Promoting diversity
GRI 407: Freedom of Association and Collective Bargaining 2016	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
GRI 413: Local Communities 2016	413-1 Operations with local community engagement, impact assessments, and development programs	3.3.2 Supporting our local communities
GRI 414: Supplier Social Assessment 2016	414-1 New suppliers that were screened using social	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
GRI 416: Customer Health and Safety 2016	416-1 Assessment of the Health and Safety impacts of product and service categories	4 Offering healthy and tasty products

8.2 CROSS-REFERENCE TABLE WITH THE SUSTAINABLE DEVELOPMENT GOALS

Chapter title of the 2022 CSR report	Corresponding Sustainable Development Goal (SDG)
1 Presentation of the Lactalis Group	
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 GOOD HEALTH AND WELL-BEING
3.2 Commitment to employees	1 NO POVERTY; 4 QUALITY EDUCATION; 5 GENDER EQUALITY; 8 DECENT WORK AND ECONOMIC GROWTH; 10 REDUCED INEQUALITIES
3.3 Strengthening rural communities	
3.3.1 Developing partnerships with dairy farmers	8 DECENT WORK AND ECONOMIC GROWTH
3.3.2 Supporting our local communities	2 ZERO HUNGER
4 Offering healthy and tasty products	
4.1 Offering healthy products	2 ZERO HUNGER; 3 GOOD HEALTH AND WELL-BEING
4.2 Offering tasty products	3 GOOD HEALTH AND WELL-BEING
5 Protecting the planet and its resources	
5.1 Industrial environmental strategy	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE; 12 RESPONSIBLE CONSUMPTION AND PRODUCTION
5.2 Climate action	7 AFFORDABLE AND CLEAN ENERGY; 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE; 13 CLIMATE ACTION; 15 LIFE ON LAND
5.3 Reducing the water footprint of the Group's products	6 CLEAN WATER AND SANITATION; 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
5.4 Promoting the circular economy	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE; 12 RESPONSIBLE CONSUMPTION AND PRODUCTION
5.5 Committing to animal welfare	15 LIFE ON LAND

9. REPORT OF THE INDEPENDENT THIRD PARTY

MODERATE ASSURANCE REPORT BY THE INDEPENDENT AUDITOR ON A SELECTION OF NON-FINANCIAL INFORMATION

To the General Meeting,

Following the request made to us and in our capacity as independent auditor and member of the network of one of the Statutory Auditors of your company (hereinafter "Entity"), we hereby present to you our report on a selection of non-financial information relating to the financial year ended December 31, 2022, as detailed in Appendix 1 (hereinafter the "Information"), prepared in accordance with the Entity's procedures (hereinafter the "Guidelines"), presented in its CSR Report.

CONCLUSION IN THE FORM OF MODERATE INSURANCE WITH RESERVATIONS

The reporting scope of quantitative information for upstream dairy indicators covers only 64% of the total volume of milk collected; on energy, water management and GHG emissions, it covers only 86% of production volumes; on packaging, it covers only 85% of production volumes; and on the social indicator "employee engagement rate (based on the managerial survey)", it covers only 82% of the workforce.

Shortcomings in the reliability of the "Percentage of virgin cardboard covered by sustainable certification", "Percentage of packaging recyclable packaging by design" and "Percentage of material recycled in relation to the total volume of material used" indicator control procedures were observed.

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 have not identified any material misstatements likely to call into question the fact that the Information has been prepared in accordance with the Guidelines.

COMMENTS

Without calling into question the conclusion expressed above, we make the following comment:

Three issues are presented but are not the subject of a developed policy and/or associated improvement objectives (water management, upstream environmental preservation - deforestation and biodiversity, and promoting diversity and the fight against discrimination).

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 in conjunction with the Guidelines, the significant elements of which are presented in the Statement.

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 and presented in the CSR Report.

Entity's responsibility

The Entity is responsible for:

- selecting and/or establishing appropriate criteria for the preparation of the Information;
- preparing the Information in accordance with the Guidelines established by it and which it is responsible for making available;
- 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

It is our responsibility, in response to the Entity's request, on the basis of our work, to express moderate assurance that the Information has been prepared, in all material respects, in accordance with the Guidelines.

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 CSR Report for the financial year ended December 31, 2022, nor notably on the Entity's compliance with applicable legal and regulatory provisions.

APPLICABLE PROFESSIONAL STANDARDS

We conducted the work described below in accordance with ISAE 3000 (revised) and professional standards applicable in France.

INDEPENDENCE AND QUALITY CONTROL

Our independence is defined by the provisions of the French Professional Code of Ethics. In addition, we have implemented a quality control system (International Standard on Quality Control 1) which includes documented policies and procedures to ensure compliance with applicable laws and regulations, ethical rules and professional standards.

MEANS AND RESOURCES

Our work mobilized the skills of nine people and took place between September 2022 and March 2023, over a total period of 29 weeks.

To assist us in carrying out our work, we called upon our specialists in sustainable development and corporate social responsibility. We conducted four interviews with the persons responsible for the preparation of the CSR Report, representing in particular the sustainable development, quality, environment, purchasing and research and development departments.

NATURE AND SCOPE OF WORK

We have planned and carried out our work taking into account the risk of material misstatement within the Information. We believe that the procedures we have conducted, exercising our professional judgment, enable us to formulate a conclusion of moderate assurance:

- we have obtained an understanding of the activity of all the entities included in the scope of consolidation and the description of the main risks;
- 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 consulted documentary sources and conducted interviews to corroborate the qualitative information presented in Appendix 1;
- for the selected key performance indicators and other quantitative results that we have considered to be the most important, presented in Appendix 1, we have implemented:
  - analytical procedures consisting of verifying the proper consolidation of the data collected as well as the consistency of changes therein;
  - detailed tests on the basis of sampling, consisting of verifying the proper application of definitions and procedures and reconciling the data with the supporting documents. This work was carried out with a selection of contributing entities as follows: Requista (France), Le Massegros (France), Gudur (India), Rowville (Australia), Brisbane (Australia), Casale (Italy), Certosa di Pavia (Italy), Choisy-le-Roi (France), Jdeideh (Lebanon), Oiejdea (Romania), Buffalo (USA), Ingleside (Canada) and Winchester (Canada), which cover between 4% and 27% of the consolidated data selected for these tests (4% of hours worked, 8% of energy consumption, 27% of the workforce);
- We have assessed the overall consistency of the Information with our knowledge of all the entities included in the scope of consolidation.

We believe that the work we have carried out, exercising our professional judgment, enables us to formulate a conclusion of moderate assurance; a higher level of assurance would have required more extensive verification work.

Paris-La Défense, March 30, 2023

Independent auditor

Christophe Schmeitzky
Partner, Sustainable Development

APPENDIX 1: VERIFIED INFORMATION

Social information

Quantitative information (including key performance indicators)	*Qualitative information (actions or results)*
Percentage of resignations compared to the total number of employees (%). Percentage of leadership positions recruited through internal promotion (%). Employee engagement rate (based on the engagement survey). Percentage of HR teams trained in the Group's Social Dialogue action plan (%). Percentage of women in leadership positions (%).	Working conditions (Health & Safety). Employer attractiveness. Skills development. Social dialogue. Promoting diversity and fighting discrimination.

Environmental information

Quantitative information (including key performance indicators)	*Qualitative information (actions or results)*
Consumption of electrical and thermal energy (kWh PCI). Municipal water consumption (m3). Total volume of wastewater discharges (m3). Scope 1 GHG emissions from industrial sites (kg CO2e). Biogenic emissions from scope 1 industrial sites. Scope 2 GHG emissions from industrial sites (kg CO2e). Scope 1 and 2 GHG emissions from warehouses and vehicle fleet (kg CO2e). Percentage of palm oil and derivatives certified for direct use (%). Percentage of virgin cardboard volumes covered by sustainable certification (%). Percentage of material recycled in relation to the total volume of material used (%). Metric tons of PVC in packaging (t). Percentage of packaging recyclable by design (%).	Energy management. Water management. Biodiversity protection. Climate change. Circular economy (packaging management).

Societal information

Quantitative information (including key performance indicators)	*Quantitative information (including key performance indicators)*
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 (%). Percentage of the volume of milk from direct collection farms covered by an animal welfare audit (%). Percentage of the volume of milk from indirect collection farms covered by an animal welfare audit (%). Percentage of the annual volume of shell eggs and egg products from cage-free systems (%).	Health & Safety management. Animal welfare management.

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