



# Sustainability Report 2021





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# Better for People & Planet



WE SUPPORT



## GLOBAL COMMITMENT

Lactalis joined the United Nations Global Compact as a Participant, and is committed to supporting and promoting its ten principles in the areas of human rights, labour, environment, and anti-corruption. Specifically in Australia, Lactalis' actions in the area of Corporate Social Responsibility (CSR) address 14 of the Global Compact's 17 Sustainable Development Goals (SDGs).

## SUSTAINABLE DEVELOPMENT GOALS



# A better future

At Lactalis Australia, CSR is embedded into our way of doing business. Our hands-on approach nurtures local initiatives and strengthens our relationships with our partners. We proudly support Australian Dairy Farmers and are committed to enriching and nurturing the lives of Australians by sustainably producing nutritious and great tasting dairy brands like PAULS, VAALIA, OAK and ICE BREAK.

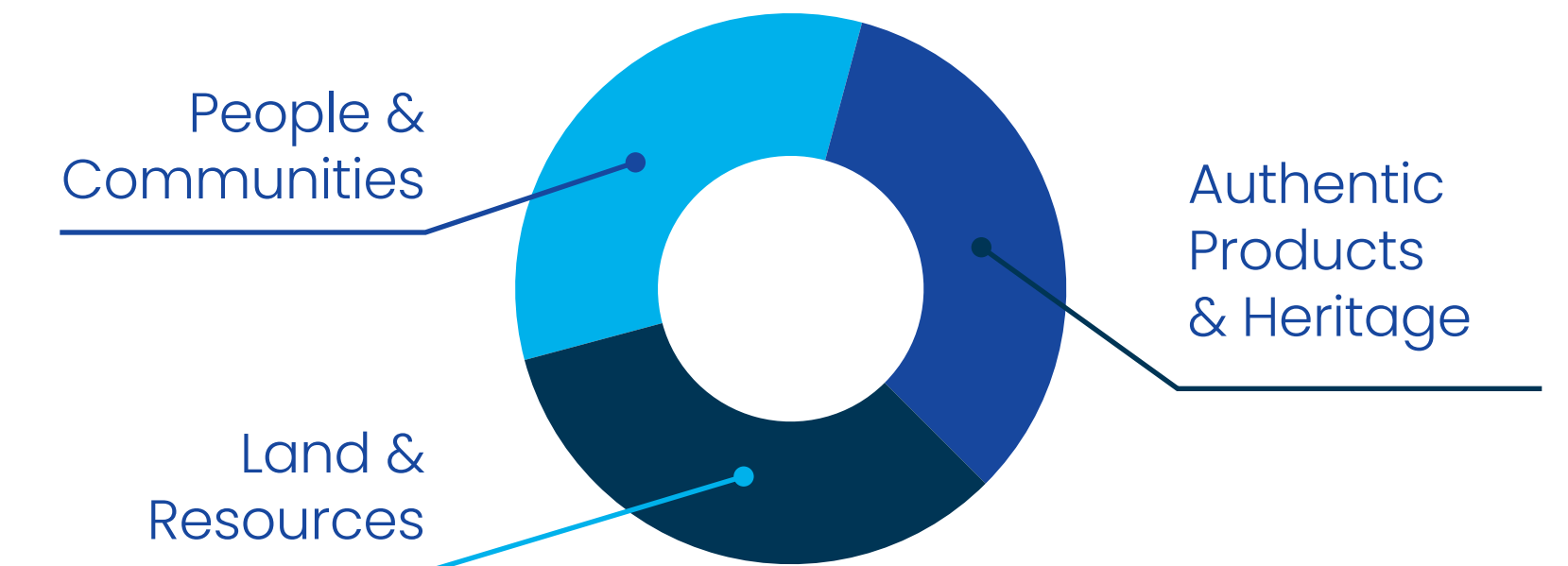
Our objective is clear - to achieve both responsible and profitable growth. Our CSR strategy is integral to us achieving our shared ambition to offer good-quality food that respects our planet.



Lactalis remains a family owned and multi-local company. We are proud to be local everywhere - from France to Canada and Italy to Australia.

The purpose of this annual Australian Sustainability Report is to reflect our CSR priorities and show how we are making progress along the way to achieve our targets.

## Our CSR Policy: Three Pillars



With this report now in its eighth year, what stood out in 2021 was cost of living throughout the pandemic. Our team was proud to continue to provide essential and affordable dairy products to Australians.

And while our employees have long focused on CSR initiatives, in 2020 Lactalis Australia formally established a Sustainability Steer Co Panel, mirroring the global panel and illustrating our commitment to the sustainable transition of food systems for a better future.

# A message from our CEO



**Rod Walden**  
Chief Executive Officer  
Lactalis Australia Pty Ltd

**At Lactalis Australia, we are in a unique position as a multi-local, yet global family company. We are proud to be local everywhere – bringing the goodness of dairy to millions of Australians.**

What this means for Lactalis Australia is continuing to provide generations of Australian households with dairy goodness across the country, a legacy which began with PAULS Milk in South Brisbane in 1933.

Back then, milk made its way from Aussies farm gates to the fridges of 6.6 million Australians. Now, more than 90 years later, that number has almost quadrupled to 25.6 million. When I joined Lactalis Australia in 1979, there were a smaller number of farms providing milk. Today, there's a total of 445.

With this population growth and increased environmental footprint, comes a responsibility to continue to provide our nation with good-quality food that respects our planet and its finite resources.

This report serves not only as an annual yardstick, but a framework for integrating sustainability

within our business strategy. While elements have underpinned our business for decades, the commitments and measurements allow us to monitor progress and set short, medium and long-term targets.

While there will always be more progress to be made, our 2021 CSR roadmap focused on climate, the circularity of our packaging and animal welfare. A partnership approach across these three focus areas can create both eco-friendly farm-to-fridge practices and healthy, tasty products our customers know and love.

Our plan is built on what is right, not what is easy, which is why we are supporters of the UN Global Compact and align with the United Nations Sustainable Development Goals. We aim to bring our customers, people, farmers and other stakeholders, with us on this journey towards a more sustainable future – with dairy playing its part in healthy people and a healthy planet.

# Lactalis Australia

## AT A GLANCE

**For almost 100 years, we have brought Australians the best dairy has to offer. Our mission defines who we are and how we operate - we are a family company offering healthy and tasty products that bring us closer together.**

Since 1933, we have proudly provided Australian households with a range of delicious and nutritious products through iconic dairy brands, such as PAULS, OAK, ICE BREAK, TAMAR VALLEY DAIRY, VAALIA, PRESIDENT and GALBANI.

While benefiting from the multi-national scale and agility of our family-owned independent French parent company, we have upheld the local heritage and traditions that began with the original Pauls Milk business in South Brisbane, over 90 years ago.

Today, our more than 2,600 trusted employees produce around 1 billion kilograms of dairy products for Australians every year - dairy products for every day and every life stage - making Lactalis Australia's dairy industry leader.



14

DAIRY SITES



2,600+

People



445

Number of FARMS that supplied milk



977M

Litres of MILK



972,315

tonnes of PRODUCT



5.46%

LESS WATER compared to 2020 (based on m<sup>3</sup>/T of product)



6.26%

LESS ELECTRICITY compared to 2020 (based on kWh/T of product)



1.8%

LESS NATURAL GAS compared to 2020 (based on kWh/T of product)

## Our Brands & Products



# Our Sustainability Steer Co Panel

**A credible and pragmatic CSR policy inspires confidence and unity. Lactalis Australia builds teams with diversity in experience to challenge and guide our roadmap, and to stay agile when responding to changing political and regulatory environments. We are able to respond well to the evolving expectations of our consumers, customers, employees, suppliers and partners with CSR initiatives.**

We are committed to nurturing an internal CSR culture. The guiding of Lactalis Group's local and international CSR policy is overseen by an International Corporate CSR Committee. Locally, Lactalis Australia's CSR approach is led by our Sustainability Steer Co Panel made up of seven members, including our CEO and four General Managers, who meet every six weeks. The Panel is responsible for integrating our Global CSR priorities; overseeing our ambitions and actions, defining our CSR targets, setting our direction and monitoring progress.

Meanwhile CSR Working Groups operationalise the strategy and embed initiatives across our business. We actively contribute to industry groups and are committed to accountability and transparency. We track our progress at a country and group level, measuring impact against the UN Sustainable Development Goals.



**Rod Walden**  
CEO



**Ron Grantham**  
General Manager,  
Industrial



**Angela Burr**  
General Manager,  
Marketing &  
Commercial Services



**Vince Houlihan**  
General Manager,  
Supply Chain



**Larissa O'Donovan**  
General Manager,  
Human Resources

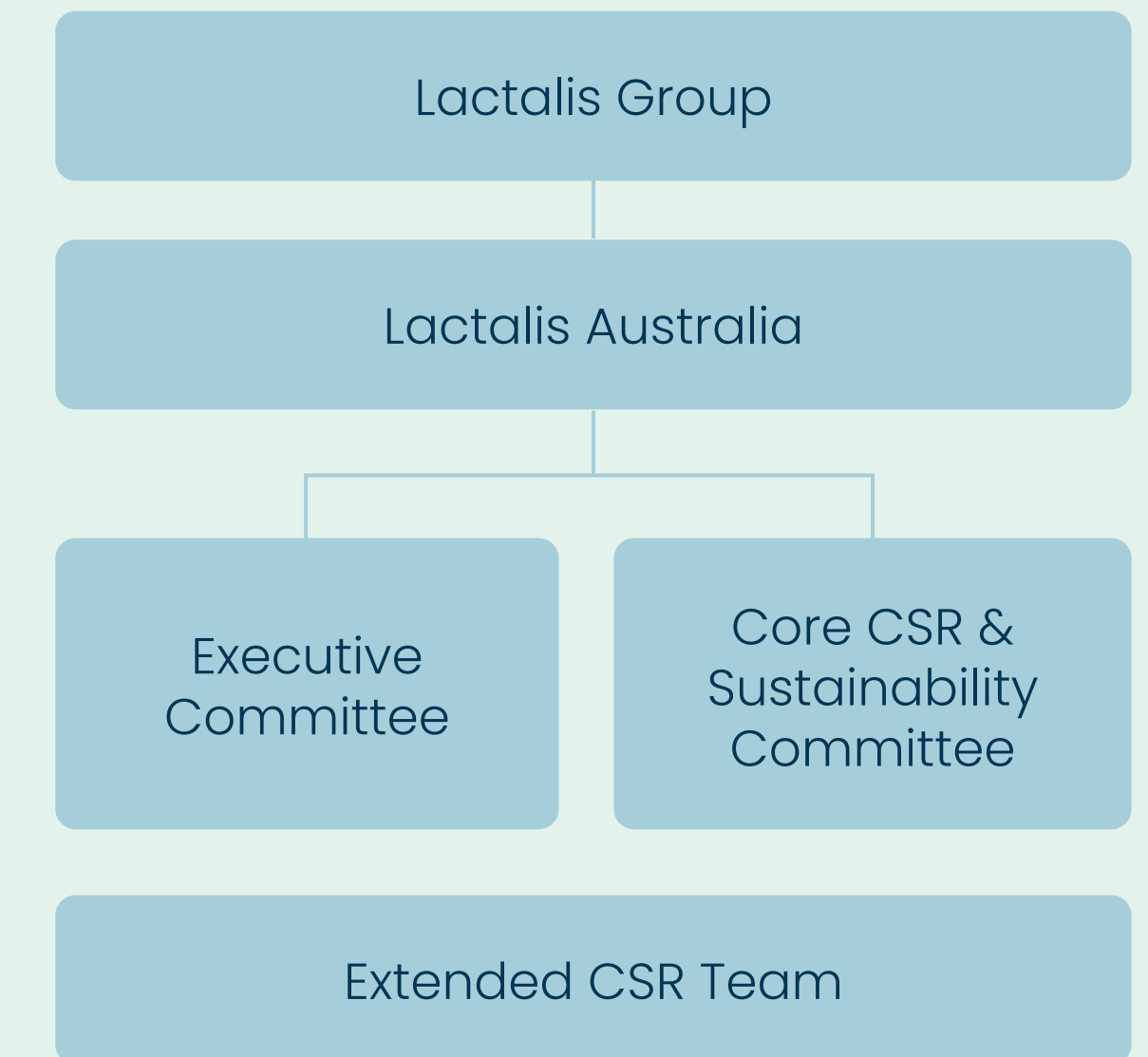


**Rodney Hall**  
Head of Health, Safety  
& Environment



**Annette Proud**  
National Environment  
Manager

## Our Governance & Reporting Structure



A photograph of two men in a barn. The man in the foreground is wearing a tan cowboy hat, a plaid shirt, and jeans, and is carrying a black bucket. He is looking towards a cow in the background. The man behind him is also wearing a plaid shirt and jeans. The barn has wooden stalls and a straw-covered floor. A blue banner with white text is overlaid on the image.

# People & Community

# People & Community

Dairy is synonymous with community. It is for sharing. At breakfast, with a meal, or through cooking – everyone can share in the pleasure and nutritional benefits of dairy.

As part of our strategy, this means growing People and Communities with a focus on quality of life at work for our 2,600 employees, as well as developing talent and a culture of safety across our sites. We also have a responsibility to the socio-economic development of the communities in which we operate, including the 455 farms that partnered with us to supply milk in 2021.

United Nations Sustainable Development Goals

8 DECENT WORK AND ECONOMIC GROWTH



12 RESPONSIBLE CONSUMPTION AND PRODUCTION



3 GOOD HEALTH AND WELL-BEING



4 QUALITY EDUCATION



We are focused on quality of life at work for our

**2,600+**  
people





## Our People

At the heart of our company are our people and our communities. With 14 sites located across the country, our employees play a vital role in supporting the communities in which we live and operate.

We strive to create a culture of respect, diversity, inclusion, and fairness to support and nurture our employees to enable them to bring their best selves to work and to the communities in which they live. As our people continue to feed the nation with healthy and nutritious products, we continue to support our people through our training, development, recognition, benefits, pension and compensation programs and policies.

With a best-in-class survey response rate of 87%, employees at Lactalis Australia want to have their say and trust us to listen to and continue to improve on their experiences at work. In order to ensure we remain focused on continuing to improve engagement, in 2022 we will be conducting another engagement survey, to track progress of our action plans and impact on improving overall employee engagement.

United Nations  
Sustainable  
Development Goals

4 QUALITY  
EDUCATION



8 DECENT WORK AND  
ECONOMIC GROWTH



# Diversity and inclusion

We are committed to fostering a workplace for a fair go. Through our 'Let's All Be Fair' training program, we are committed to our 2,600 people feeling respected, safe and valued regardless of any differences.

From farm to fridges Australia wide, we are proud of the diversity in our workplace. We embrace a wide spectrum of backgrounds, cultures, languages and ages and every individual is given the opportunity to reach their full potential in an inclusive and flexible working environment.

We believe diversity and inclusion (D&I) is essential to business success. Diversity enables us to understand our customers and communities and provide them with superior products and service. And while D&I has long been a business priority, we recognise that further progress can be made.



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Sustainable  
Development Goals

## 28% of Lactalis leaders are women

In 2021 we have:

- A proud corporate partnership with NAWO (National Association of Women in Operations) the peak body in Australia for championing women in operational environments.
- Expanded leadership development training for women through involvement in the NAWO mentoring program.
- A formalised flexible working policy.

**Meabh O'Carroll**  
Chief Financial Officer



# Wellness

Understanding the needs and challenges that our people face is a priority for us. Our Senior Leadership Group identified that the mental health strains from the pandemic were a high risk area that needed action. In 2021, Lactalis Australia partnered with the team at Pulse Learning to embed their 'I am Here' Mental Health and Wellbeing Program to offer support to all our employees and their families.

With positive results observed during the pilot phase at one factory in 2021, this program is now being rolled out across all Lactalis Australia workplaces during 2022.



United Nations Sustainable Development Goals



# Health & Safety

5,000

Job Site Interactions

The safety of our employees and contractors continues to be our first priority. "No job is ever so urgent or important not to take the time to do it safely" is not simply in the handbook but our lived experience. In 2021, we continued to see a reduction in our Recordable Injury (RI) rate with a 16% reduction for the year.

5,726

Hazards reported across all sites

Over the last five years we have continued to reduce risks across our business. This is reflected in our recorded injury rate where there has been a 44% reduction in events leading to the injury of our employees and contractors.

238

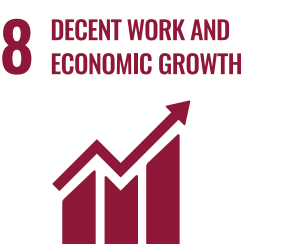
Risk Assessments completed

Our key drivers for a stronger safety culture in 2021 were our Job Site Interactions, hazard reporting, risk reduction programs and audit/inspections program.

1,899

Health & Safety Audits and Inspections completed

United Nations Sustainable Development Goals





In 2021, in addition to donating

**1,654,800**

meals, Lactalis Australia produced

**250,000**

litres specifically for Foodbank's National Milk Program

## Partners

Since 2011 we have proudly supported Foodbank, Australia's largest hunger relief charity, by donating fresh milk, yoghurt and desserts to people in need.

Foodbank has calculated the 'social return' of our average annual contribution to be \$28.7 million. This figure is not only based on our dairy donations that address people's immediate nutritional needs, but also calculates the impact on people's health, emotional wellbeing, sense of self-worth, social relationships and overall standards of living.



\*Foodbank Hunger Report 2021

1 NO POVERTY



2 ZERO HUNGER



17 PARTNERSHIPS FOR THE GOALS



United Nations Sustainable Development Goals

# 1.2 MILLION CHILDREN



## HAVE GONE HUNGRY IN THE LAST YEAR



# ONE IN SIX ADULTS



## IN AUSTRALIA HAVEN'T HAD ENOUGH TO EAT IN THE LAST YEAR



# ONE IN THREE PEOPLE

## STRUGGLING TO MEET THEIR FOOD NEEDS ARE NEW TO THE SITUATION



## FOODBANK PROVIDES FOOD RELIEF TO MORE THAN A MILLION PEOPLE EACH MONTH



# Community Programs & Engagement

For the past decade, Lactalis Australia has been involved at a grassroots level with the St Vincent de Paul Society, a national charity that assists people experiencing poverty and inequality. Our employees continue to volunteer in different Vinnies activities and initiatives including clothing drives, Christmas giving tree, sorting clothes at the Vinnies Sumner Park warehouse and taking part in the annual Vinnies CEO Sleepout.

We also have a long running association with Ronald McDonald House, supporting the organisation through our Charity Golf Day and the design, funding, installation and servicing of a purpose built cold room facility at Ronald McDonald House.

Globally, Lactalis mobilises its staff around initiatives such as World Cleanup Day which is something our people proudly support in Australia too. Locally, we encourage our employees to be active in their communities and cover time for them to volunteer at a registered charity through our CSR Leave program. Employees can request up to two half days per year to support the charities of their choice, which equates to 2,500 days of paid CSR Leave.



Over the past 8 years, Lactalis Australia has donated more than

# \$400,000

to Ronald McDonald House, supporting families whose lives have been upended by cancer

# 18,750

Total number of paid hours our people could spend giving back to the community

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**Authentic Products  
& Heritage**

# Authentic Products & Heritage

We are proud of the quality of our brands in Australia and across the world. Our goal is to create simple, healthy and tasty dairy products that bring people together every day, at every life stage. Since 1933 when our Pauls milk factory opened in South Brisbane, Lactalis Australia has brought Australians generations of dairy goodness.

We are also committed to maintaining product variety through the protection of know-how, particularly Protected Denomination of Origin (PDO). Our product portfolio combines local traditions and consumer-led innovation to meet ever changing needs.





## It's good for you

Dairy is a key health product for everyone from children to the elderly

## Consumer-led innovation

We are constantly adapting and improving our products to meet the health needs of consumers at every life stage - from children to the elderly. Which is why dairy is recommended in the Australian Dietary Guidelines.<sup>3</sup>

We have expert consumer panels who regularly test our flagship products so we can make improvements based on preference.

We also understand consumer interest in organic, which is why Lactalis continues to maintain and develop our position as the world's number three provider of organic dairy products.

We are convinced there are no vegetal nutritional alternates to dairy, but both can play a role in a balanced diet. Dairy products offer a high nutritional value when compared to their environmental impacts and we are committed to working with our value chain to find more sustainable ways of producing it.



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Sustainable  
Development Goals

# Nutrition

Dairy is a nutrient dense food which is why Australian Dietary Health Guidelines recommend consuming dairy products daily.<sup>4</sup>

While providing Australians with high quality nutrition is critical, we also believe that a long-term balanced diet includes a shared pleasure in eating. This is reflected in our corporate nutritional policy which includes:

- Sugar and salt guidelines
- Simple formulas
- Complete nutritional labelling
- Raising awareness about the role that dairy plays in a balanced and sustainable diet

We monitor the implementation of this policy with established internal standards for each category of dairy products. Globally, we have an internal classification of additives based on published lists and our customers' requirements. Using only

quality ingredients, we have embarked on a clean label initiative to meet the needs of the Australian consumer.

Eating well starts with choosing good products and good ingredients that we enjoy preparing in the kitchen and sharing at the table. We take pride in being the global dairy experts and making all of our products nutritious, clean and simple.

Our brand, SIGGI's is free from any preservatives, thickeners, sweeteners, artificial flavours or colours, instead focusing on real fruit, milk from Australian farms and not a lot of sugar\*.

With sweetened chilled dairy and flavoured milks the main contributors to sugar intake in our portfolio, we are monitoring the sugar level in these product categories and benchmarking ourselves against internal standards. We have reduced sugar options in our beverages, yoghurt and dairy desserts portfolios to provide consumers with choices.



## FREE FROM

- no stevia
- no aspartame
- no sucralose
- no gelatin
- no artificial colours
- no preservatives
- no high fructose corn syrup



**OVER 290** tonnes of sugar reduced across our portfolio



United Nations Sustainable Development Goals

\*at least 25% less sugar than the top 3 leading fruit yoghurt brands: siggi's 7-9g vs. 10-16g per 100g

# 5 healthy and tasty products

## OAK PLUS

Reformulated to be no added sugar minus 30 tonnes



## ICE BREAK

No Added Sugar minus 14.2 tonnes



## PAULS

Limited Edition Reduced Sugar Christmas custard minus 7.9 tonnes

## VAALIA

Australia's number 1 probiotic yoghurt with scientifically proven health claims of immunity and digestion and a reduced sugar recipe<sup>5</sup> minus 212 tonnes



## PAULS

Bluey Kids Flavoured Milk with 30% less sugar minus 30.6 tonnes



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**WE HAVE A 2025 TARGET OF 100% OF FARMS ASSESSED ON ANIMAL HEALTH AND WELFARE PRACTICES WITH 9% OF FARMS ASSESSED IN 2021**

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## Animal welfare

Science shows happy cows not only produce better milk, but are more productive.<sup>6</sup> And as scientific research into animal welfare grows, dairy farming standards evolve. The Lactalis Australia National Supplier Handbook supports the dairy industry's position on Animal Welfare and outlines the standards and legal requirements that must be met by all dairy farmers.

We have zero tolerance for illegal activities or animal cruelty.

2021 saw the delivery of the third annual report by our long-term study partners Alltech E-CO2, which recommends standardised herd health record keeping within the Lactalis supply chain and the group. This will help identify animal welfare and health issues, especially regarding the common herd health problems of mastitis and lameness.



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## Responsible ingredients sourcing

The Lactalis Group acknowledges the importance of preserving forests to safeguard the livelihoods of the communities that depends on them, and to protect biodiversity and mitigate climate change.

Palm oil is the world's most produced, consumed and traded vegetable oil and the demand for it keeps increasing. We believe that despite its potential negative impacts, palm products offer an opportunity when managed properly. For example, the oil yield of palm fruit is 8 times higher than soybeans\*.<sup>7</sup> In that way, palm fruits effectively reduce the need for cultivable land.

While our purchase and usage of palm oil and derivatives account for less than 0.02% of the world production of palm oil (or about 15,500T), we are committed to curb our direct forest footprint through transparent and responsible purchases of traceable palm oil.

Our ambitions are that 100% of the palm oil and derivatives we purchase will be RSPO Mass Balance or Segregated certified by December 2025.

\*RSPO Guide on "Promoting The Growth And Use Of Sustainable Palm Oil".



2 ZERO HUNGER



15 LIFE ON LAND

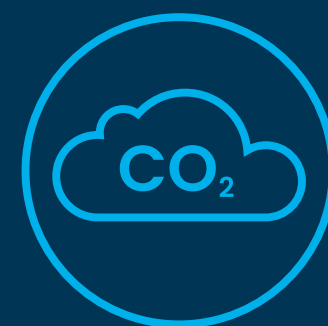
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**431** Average number of cows per herd



**7,566** litres of milk yielded



Average carbon footprint  
**15.03** kg CO<sub>2</sub> e/kgMS



**217** kg Nitrogen use per hectare



**63** litres of diesel per cow

Source - Alltech ECO2 project

## Milk supply

Milk Supply Australia is part of the Lactalis Global CSR pilot program. The project consists of 11 countries, representing 76% of milk volume collected globally by Lactalis, working on shared KPIs, policies and actions, methodology and measurement. In 2021, 38 Lactalis Australia farms were assessed on animal health and welfare criteria and Greenhouse Gas (GHG) emissions as part of the project.

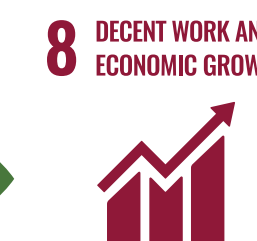
The Alltech E-CO2 project within Australia also continued, for the third consecutive year. Reports found the average milk supply across the sample group was 7,566 litres (FPCM)/cow with the average kg MS/cow at 555 kg. Increasing milk yields and solids efficiently reduces a farm's carbon footprint by increasing the number of litres that the GHG emissions are divisible by.

Higher milk output, for a given level of input, means there is a greater volume of milk over which to spread the carbon cost.

From the Milk Supply CSR project data collected in 2021, Lactalis has developed a group animal welfare policy for eight of our pilot countries, with 12 commitments for our direct supply volume. The ambition of these commitments is to enroll our direct partnering farms (and indirect ones where possible) in a process of continuous improvement, phasing out problematic practices and implementing best practice on farm.

Meanwhile, we are currently reviewing farm carbon footprint data from the assessments in 2021 and working on policies and commitments in this space.

United Nations Sustainable Development Goals



# Food safety & quality

Delivering high quality, great-tasting, affordable products is how we ensure our consumers are satisfied, every time. We achieve this through our comprehensive Quality and Food Safety program and by investing in our people and factories, sourcing the best quality milk and raw materials, production process controls and regular auditing. We strive for right first time to prevent food waste.

We support a food safety improvement culture, monitored through multiple metrics including customer satisfaction. Our metrics have continued to improve year on year.

In 2022 we will continue to focus on enhancing our food safety awareness and leveraging our Lactalis global counterparts to understand and implement best practices across all of our facilities, maintaining our target of zero product recalls and no legal or regulatory non-compliances related to food safety.

# 100%

of Lactalis Australia manufacturing facilities accredited to GFSI recognised standards

Driving food safety culture by launching Food Safety and Quality leadership audit program in Q1 2022

Food safety and quality KPIs launched by division and reviewed with Executive Committee team

# 19%

improvement recorded in consumer complaints

5 Year Food Safety Plan launched in 2021

First Food Safety culture survey conducted across organisation to track progress

Quality and Food Safety engagement results improved by

# 26 POINTS

No recalls recorded in 2021

Focus on improvement plans to target main causes of non-conformances



United Nations Sustainable Development Goals



# Land & Resources



# Land & Resources

We are committed to reducing our environmental footprint by focusing on local production environments. We work with our ecosystems in an effort to reduce the impact of our activities.



# Water

Water is a shared precious resource, central at every step of the dairy value chain. At Lactalis Australia, we implement innovative water solutions and our efforts are seeing progress. We saved 145,847,250 litres of water during 2021 production, enough to fill over 58 Olympic sized swimming pools.

Every one of our Australian dairy sites has a KPI to reduce clean water consumption by 5% year on year.

This is being achieved by:

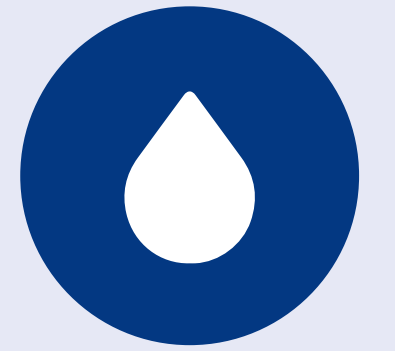
- Ongoing water saving and efficiency programs
- Reusing water where safe and appropriate
- Finding and fixing leaks quickly
- Purchasing water efficient equipment when new or replacement infrastructure is required
- Daily water meter readings

Reusing treated wastewater is one of our key focuses. Rather than simply discharging wastewater to the sewer for further treatment, where possible we direct this water to other areas of our business. One example of this is the irrigation of animal feed crops. Not only does this reuse water but it can improve soil quality by adding missing nutrients and hydrating paddocks in areas with low rainfall.

Primary sludge from the treatment of wastewater at several sites even goes to a third party who uses this to generate electricity.

## Strathmerton Staging Facility

Delivering outstanding environmental benefits, the Strathmerton Staging Facility was Australia's first biofiltration-based treatment plant which combines the use of worm farms to consume dairy proteins and capacitive deionisation to desalinate the water. We partnered with owner operators, Booth Transport to develop and use this site, with the system producing 150,000 kL of recycled water for irrigation and reducing 3,000T of carbon emissions per year.



Across Australia, during 2021 our dairy sites

**REDUCED  
WATER  
USAGE BY  
5.46%**

(based on m<sup>3</sup> of water used to produce 1 tonne of product) compared to 2020



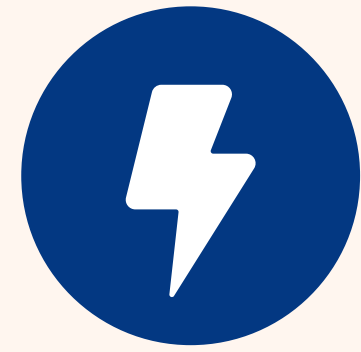
6 CLEAN WATER AND SANITATION



12 RESPONSIBLE CONSUMPTION AND PRODUCTION



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Development Goals



Across Australia, during 2021 our dairy sites

**REDUCED ELECTRICITY USAGE BY 6.26%**

compared to 2020 (based on kWh used to produce 1 tonne of product)

## Energy

It takes a lot of energy to produce and deliver nutritious and delicious quality dairy products.

Refrigeration and air compressors are the highest areas of electricity use, and gas is used for steam generation and hot water. Our operational efficiency programs are ongoing, including daily meter readings and checks to minimise use and quickly identify issues.

With 972,315 tonnes of production in 2021, this saving equates to the volume of 67 hot air balloons (based on a six passenger balloon envelope of 4,200 m<sup>3</sup>).

National reviews are underway looking at investing in alternative and renewable power sources, for example, which dairy sites would best benefit from on-site solar power generation and who can we partner with to progress moving towards using renewables.



Consumption of

**NATURAL GAS REDUCED BY 1.8%**

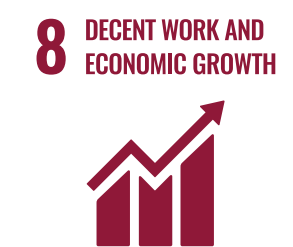
over the same period (based on kWh to produce 1 tonne of product)



National Scope 1 and 2 Emissions (total)

Financial year	Total Scope 1 & 2 Emissions (t CO <sub>2</sub> -e)
2016/17	129,431
2017/18	124,342
2018/19	131,779
2019/20	142,871
2020/21	134,097

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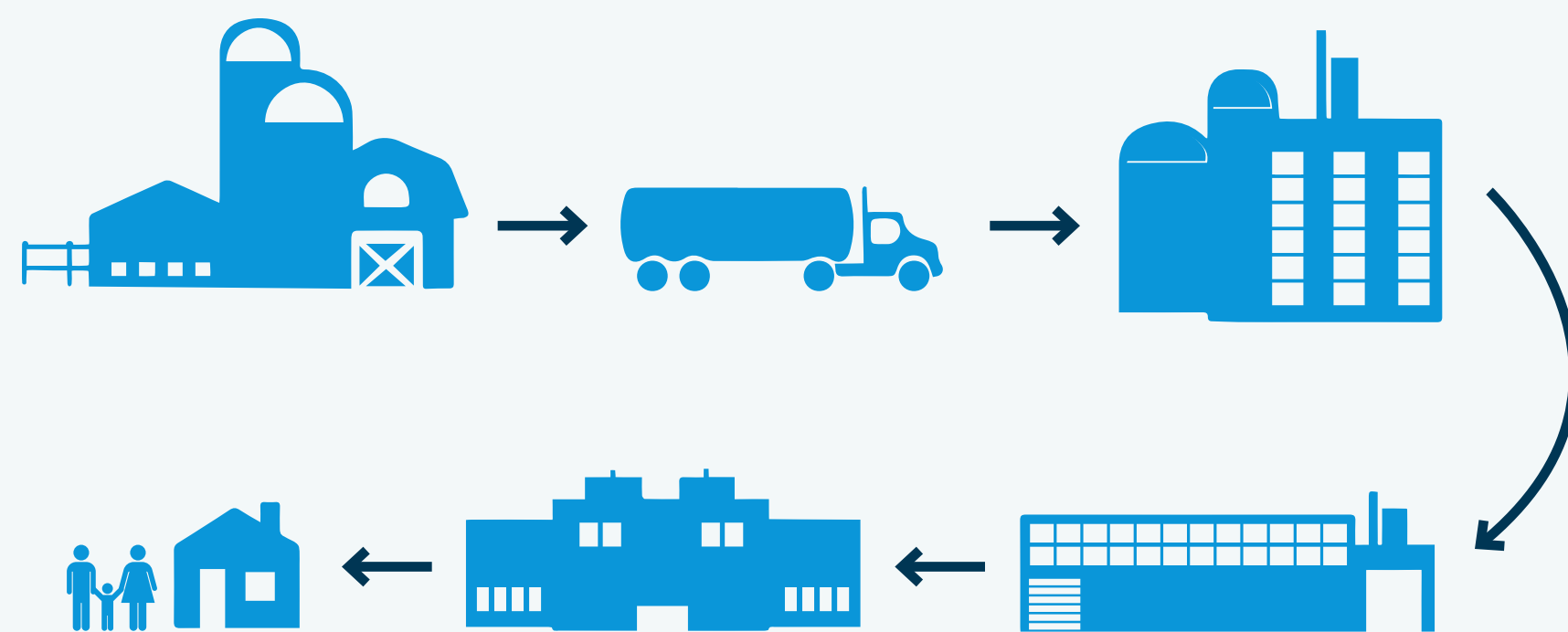


# The road to Carbon Net Zero

Climate change has emerged as one of the greatest challenges of our time. According to scientists, by 2100 current trends would lead to the extinction of many species, threaten food security and compromise human activities.

In fact, climate change is already happening and affecting our daily lives: increased temperatures, droughts, more frequent and intense storms. These are clear signals which show the urgent need for concrete actions to mitigate carbon emissions and climate change.

Globally, our ambition as a group is to contribute to achieving Carbon Net Zero by 2050. In 2021, we have carried out an inventory of our carbon emissions, taking our 2019 emissions level as a reference ("base year").



Using the internationally recognised methodology of the GHG Protocol (Greenhouse Gas Protocol)<sup>8</sup>, we chose to focus on direct emissions from our industrial and logistics activities (known as "scope 1" and "scope 2" emissions).

This work has enabled the global group to set two initial milestones for reducing our scope 1 and scope 2 emissions in 2025 and then in 2033, Lactalis' 100th anniversary.

## WE SUPPORT

# PATHWAYS TO DAIRY NET ZERO.

### Our commitments:

Reduction of at least **25%** of our scope 1 and scope 2 emissions by 2025 (base year: 2019)

Reduction of at least **50%** of our scope 1 and scope 2 emissions by 2033 (base year: 2019)

Carbon Net Zero by **2050**

Lactalis' commitment to the 'Pathways'

7 AFFORDABLE AND CLEAN ENERGY



8 DECENT WORK AND ECONOMIC GROWTH



13 CLIMATE ACTION



United Nations Sustainable Development Goals

<sup>1</sup>. The Cool Farm Alliance is an ecosystem of organizations (companies, NGOs, universities) that are developing a common tool for measuring the carbon footprint on the farm, the Cool Farm Tool. Lactalis is a member of the Cool Farm Alliance. <sup>2</sup>. The Science Based Targets initiative (SBTi) is a joint project of the Carbon Disclosure Project (CDP), the United Nations Global Compact (UNGC), World Resources Institute (WRI), and World Wildlife Fund (WWF), and one of the commitments of the We Mean Business coalition. SBTi defines and promotes best practices for setting greenhouse gas emission reduction targets, and independently evaluates company targets. <sup>3</sup>. Pathways to Dairy Net Zero is an initiative to accelerate action on climate change in the global dairy sector. More than 80 organizations representing 30% of global dairy production already support the initiative.

# Transport & Logistics

We are committed to reducing our carbon footprint when it comes to getting our products from farm to factory, and to the fridges of Australian homes.

In 2021, we developed a model alongside our distributor network to internally measure carbon reduction initiatives.

## Our approach is based on three key time-based activities:

### Short term:

Reducing transport activity (km travelled) through optimisation via fuller loads, order frequency reviews and introduction of larger carrying capacity trailers.

### Medium term:

Improving transport energy efficiency through driver training and new generation trailers.

### Long term:

Reducing carbon intensity by developing alternate fuel solutions such as electric and/or hydrogen.

The evolution of our internal carbon emissions footprint is demonstrated in the table to the right and represented as grams of CO<sub>2</sub> / km travelled.



Operation	Year	km	Fuel (L)	g CO <sub>2</sub> / km
Victoria Fleet	2020	1,799,235	1,087,259	1631.6
	2021	1,826,577	1,062,105	1570.0
Sydney / SEQ Trailers	2020	2,160,298	445,347	556.6
	2021	3,789,622	523,938	373.3
Transport	2020	3,959,532	1,532,606	1045.1
	2021	5,616,199	1,586,043	762.5



7 AFFORDABLE AND CLEAN ENERGY



8 DECENT WORK AND ECONOMIC GROWTH



13 CLIMATE ACTION



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# Carbon footprint

We believe that dairy products are part of the solution for sustainable nutrition. We are committed to working to reduce our impact on the environment and the climate, throughout our value chain.

Through the global Milk Supply CSR project, our immediate carbon commitments are being proposed and reviewed over the next six months. Our ambition as a global group is to contribute to achieving Carbon Net Zero by 2050.

In Australia, this transition to lower-carbon products is being accelerated by the Alltech E-C02 project, an innovative auditing project now in its third year. In 2021, 10% of Lactalis Australia farms were assessed for carbon footprint and GHG emissions across our two projects – the Alltech E-C02 project and the group CSR project, encouraging high welfare, sustainable and low carbon farming.

Meanwhile, the Australian Dairy Sustainability Scorecard states a goal for 2030 of reducing greenhouse emissions intensity across the entire industry by 30% on 2015 levels.<sup>9</sup> This goal aligns with the 2030 UN SDG in recognition of dairy's role in the global effort to address the world's sustainability issues.

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**Introducing next gen fuel efficient trailers saw 2021 carbon emissions reduce 3.8% for the Lactalis Victorian fleet and 33% for Sydney/SEQ fleet YoY**





100%

of packaging will bear  
waste management  
information by 2025  
(2019: 34%)

## Circular economy & packaging

Packaging is key to preserving the quality and food safety standards for our dairy products, which are fragile by nature. It enables us to bring the nutritional benefits of dairy to anyone, anywhere, at any time – but we want to do this while limiting our impact on the planet.

Our approach is to strive for the right pack, better circularity and educating consumer to close the packaging loop.

To accomplish this we have developed an internal database for our packaging materials to ensure consistent tracking of our improvements. Next we are creating an eco-design evaluation process so that our new and future products take packaging sustainability into account at the onset.

While we rely on plastic packaging to safely share our products with the world, we believe that innovations in sustainable packaging are on the horizon and we will make the responsible choices when they are available.

Today we believe our efforts are best focused on:

- Increasing recyclability of our packaging
- Reducing plastic usage
- Using paper fibers certified for sustainable practices
- Reducing all avoidable packaging components

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9 INDUSTRY, INNOVATION  
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# Reducing plastics

Finding the right balance between reducing packaging and preserving the quality, safety, and convenience of our products is an ongoing effort. 100% of current and future packaging solutions for pillar products and all future packaging solutions for product innovations will be screened using an eco design tool by 2025.

As part of educating consumers, we are aiming to implement Australasian Recycling Logos (ARL) to all our packs by December 2023 and partner with the RedCycle program where packaging, such as our yoghurt pouches, is used to create items such as furniture for schools, signs, and roads.

- 150T removed in Pauls milk bottles
- 42T from Pauls Farmhouse Gold
- 48T from OAK beverages
- 39T from Yoghurt & Dessert initiatives

With an aim to eliminate problematic and unnecessary single use plastic by 2025, we made progress through the removal of the lid and spoon on Vaalia single serve yoghurts, and new pouch formats for custard products.

Looking ahead, our 2025 target is for 100% of packaging to be reusable or recyclable, which is consistent with the Dairy Sustainable Packaging Roadmap.

To target our efforts, we have developed a pillar approach aligned with global commitments.



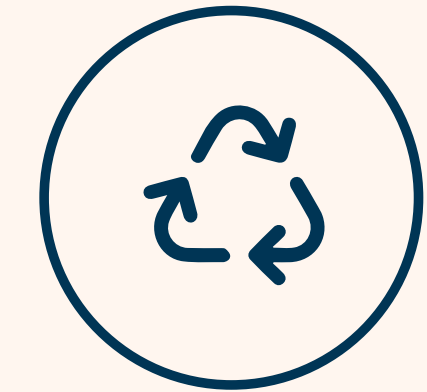
90%

of the 37,019 tonnes of necessary packaging Lactalis Australia produced in 2021 was recyclable by design, equal to

1,665 rubbish trucks\*

702 tonnes of plastic reduction, equal to 35 rubbish trucks\*

\*20 tonne rubbish trucks



## Our commitments:

At least **30% of recycled material** in our packaging at consolidated Group level

We aim for **100% recyclable packaging** by design in 2025<sup>1</sup> (Status 2019: 83%)

We aim for **100% recyclable packaging** in practice in 2033 for countries with an Extended Producer Responsibility scheme (EPR)<sup>1</sup> (Status 2019: 89%)<sup>2</sup>

We aim to **eliminate PVC** from our packaging by 2025<sup>3</sup>

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<sup>1</sup>. Ambition on a set of 23 countries accounting for 85% of Lactalis Group turnover in 2019. All acquisitions since December 2019 excluded at this stage. <sup>2</sup>. Calculated scope 2019: France, Spain, Germany, Belgium, Sweden. <sup>3</sup>. Ambition set at Lactalis Group level. All acquisitions since December 2019 excluded at this stage. <sup>4</sup>. Mass balance: chain of custody allowing the attribution of "circular origin" credits for the materials used.

# Food Waste

Reducing food loss and waste is an important strategy to help meet the UN Sustainable Development Goals (SDGs) by 2030, contribute to the Paris Agreement on climate change, and sustainably feed the planet by 2050 (WRI 2019).<sup>10</sup>

Each year Australians waste around 7.6 million tonnes of food across the supply and consumption chain. This wastage equals about 312kg per person, equivalent to around one in five bags of groceries, reports the National Food Waste Strategy Feasibility Study.<sup>11</sup>

Understanding the dairy industry's contribution to that number and progress forward is imminent. Dairy Australia is leading a project to create the first Dairy Sector Food Waste Action Plan, committing to halving food waste by 2030. The project which is currently underway will quantify

volumes and composition of dairy waste and develop solutions to reduce dairy waste in processing and households, identifying new products, services and business models to establish a circular dairy sector. Farmers, dairy manufacturers, distributors, retailers and related industries will have input into the new plan.

Meanwhile, to reduce dairy waste while supporting the food insecurity crisis, Lactalis Australia continues our more than a decade-long Foodbank partnership, helping provide nutritious dairy to those in need. The 2021 Foodbank Hunger Report found one in six Australian adults haven't had enough to eat in the last year, 1.2 million children have gone hungry in the last year and one in three people are struggling to meet their food needs.<sup>12</sup> We continue to donate fresh milk, yoghurt and desserts to Foodbank.

**"Thank you Lactalis Australia"**

*Foodbank Australia*

**In 2021 we donated to Foodbank Australia**



**1,654,800**

meals donated for people experiencing hardship



**250,000**

litres of fresh white milk produced for our National Milk Program



**\$20,000**

towards sourcing essential food and grocery relief

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# About this Report

This is Lactalis Australia's 2021 Sustainability Report. It aims to address some of the major challenges that the food and beverage industry is facing. As Australia's Dairy Industry leader, we recognise that it is important that Lactalis Australia plays a role in raising awareness about key sustainability issues.

The Report provides an overview of Lactalis Australia's key sustainability actions and performance for the period January to December 2021. The Report has been prepared 'In Accordance' with the Global Reporting Initiative's (GRI) G4 Guidelines at a Core level. The Report has not been externally assured. We intend to continue to report on an annual basis.

## Any Questions?

We appreciate feedback and are happy to answer questions about this Report or our approach to sustainability.

## Materiality Assessment

A review of material issues has been undertaken to inform the development of the framework of this report. This included reviews of:

- Direct financial impacts (e.g. Risk register)
- Policy commitments
- Peers and their positions on issues (e.g. Dairy Australia Sustainability Committee)
- Societal norms and expectations (e.g. Laws, regulations, guidelines, standards, and voluntary agreements)
- Stakeholder concerns (internal, industry and external).

In preparing the 2021 report a limited review of material issues was tested to ensure currency and relevance.

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