



ANNUAL REPORT **2021**







EMMANUEL BESNIER
 CEO OF THE LACTALIS
 GROUP
02/03

KEY
 FIGURES 2021
04/05

**OUR PASSION: OFFERING
 THE NUTRITIONAL
 BENEFITS OF DAIRY
 TO THE WORLD**
06

**OUR AMBITION:
 TOGETHER AND
 COMMITTED
 TO A PROFITABLE AND
 RESPONSIBLE GROWTH**
07

**OUR BUSINESS
 MODEL**
08/09

CONTENT

**TO MEET
 OUR CONSUMERS'
 EXPECTATIONS
 ALL OVER THE WORLD**
11/25

The main consumer trends in 2021 **11/12**

Tasty and healthy products for our consumers **13**

France **14/15**

Europe **16/19**

Americas **20/22**

Africa, Asia, Pacific **23/25**

**TO MEET THE MAJOR
 CHALLENGES
 OF SUSTAINABLE
 DEVELOPMENT**
27/39

Interview with Agnès Baudet-Barbezant **27**

A CSR Journey written hand-in-hand with our stakeholders **28/29**

Accelerating the transition to lower carbon impact products **30/31**

Improving packaging and working with our stakeholders to close the loop **32/33**

Caring for animals all along our supply chain **34**

Stabilizing climate, sheltering biodiversity & livelihoods: the vital role of forests **35**

Providing our employees with a working environment that encourages personal development **36/37**

A 360° approach to Safety **38**

Promoting rural development and the structuring of our dairy sector **39**



EMMANUEL
BESNIER

CEO OF THE
LACTALIS GROUP

« A YEAR OF
TRANSFORMATION »

It is difficult to assess 2021 as the events we face at the beginning of 2022 are changing our environment at great speed. But firstly, I would like to say how much the situation in Ukraine, that of our teams, their families and Ukrainians in general, affects us and calls us to action. Our subsidiaries in the bordering countries are fully committed to providing assistance and the entire Group is showing its solidarity on a daily basis.

Because economic, social and environmental issues are now inseparable, we wanted to initiate an integrated approach this year through this unique report.

In 2020, Lactalis developed its CSR roadmap and in 2021 started to implement it on the ground. We are proud to be local everywhere. Our approach, therefore, consists of a general framework that will incorporate local opportunities and constraints.

Our objective is clear: **to lead the Group to profitable and responsible growth.**

Let's go back to 2021. The key global economic issue is the explosion in inflation, due first to the consequences of the pandemic and now to the war in Ukraine. Value creation has consistently been eroded in the agri-food sector over the last twenty years. The agricultural sector, processors and distributors have very small margins to absorb these additional costs. Passing them on to consumers is obviously difficult but, at least in part, inevitable. This raises the question of the share of food in household budgets and our shared ambition to offer good-quality food that respects our planet. The Lactalis Group intends to contribute actively to introducing this new food model.

This inflationary context has led Lactalis to slightly lower results for 2021 and a particularly tense start to 2022.

Despite this difficult economic situation, the Lactalis Group continues to develop and invest in its future. As well as the addition of the iconic Leerdammer brand to the Group, 2021 was a strategic turning point in terms of our activities' geography. With the takeover of the Iögo and Olympic yogurt brands in Canada, followed by Kraft's natural cheese activities, Lactalis is acquiring a strong North American scope. The United States and Canada are now the Group's two most important countries after France.

Increasingly international, Lactalis has the particularity of remaining a family and multi-local company. In fact, in the fifty countries where we have an industrial presence and which represent the bulk of our activity, Lactalis is a local company. It processes milk collected locally with local teams to offer products and brands adapted to the country's consumers.

We believe in the dairy market's potential. It continues to grow on a global scale and we believe that "milk is good and healthy!". We are working hard to limit our impacts and help producers in their ecological and food transition. I am convinced that a partnership approach can lead to environmentally friendly agriculture, harmonious development of rural areas and healthy, tasty products.



KEY FIGURES

2021

No.1

World's leading dairy group
World's leading group in the cheese market
World's leading group in dairy fats (butters and creams)
World's leading player in PDO and raw milk cheeses

No.3

Global group in the chilled dairy market
Global group in fluid milk

No.12

Largest global food group



22

billion euros
in revenues

22

billion liters of milk
collected worldwide

270

production sites
located in 52 countries

3

international
brands

4.2%

growth in sales

85,500

employees



**Breakdown
in revenues
by geography**

55%
EUROPE

27%
AMERICAS

18%
AFRICA, ASIA
AND PACIFIC



**Breakdown
in revenues by category**

CHEESES
36%

BUTTERS
& CREAMS
13%

MILK
21%

INGREDIENTS
AND NUTRITION
9%

CHILLED DAIRY
15%

OTHER
6%

Our passion: offering the nutritional benefits of Dairy to the World

Our mission defines who we are and how we operate. At Lactalis, we are a family company offering healthy and tasty products that bring us closer together.

Since the very start of our adventure in 1933 in Laval, we have been passionate about Dairy. We keep being impressed by the wide diversity of nutritious and delicious food that human know-hows can shape out of a unique raw material: milk. We feel a special duty to preserve, share and promote it.

A passion for Dairy

Spreading all over the world, human communities have expressed an intense creativity by multiplying flavours, techniques, and exploring their settling terroirs. Many times, local dairy products have become their rallying symbols: Lassi in India, Kefir from Poland to Kazakhstan, Ayran from Turkey to Iran, hard cheeses in the Netherlands or Camembert in France.

Today, we are the keepers of these World dairy cultures which must not fade away. Lactalis is the first global producer of Protected Designation of Origin, with 38 PDOs in Italy, France, Spain and Greece. As an example, the Group is the last producer of the Bleu des Causses cheese since 2011. While preserving know-hows, we add our expertise to enable dairy traditions from village markets to successfully take the Modern Trade shift of their homeland. By doing so, Kajmak in the Balkans, Faragas in Romania and Matsoni in Georgia will remain vivid traditions in new generations' daily lives.

Together

For ages, Dairy has accompanied the birth of a sense of community. Raising animals, milking and processing are collective by nature. Dairy is for sharing. At breakfast, during a meal, or through cooking with & for our beloved ones. It is about sharing pleasure and the nutritional benefits of our products.

As such, at global scale, we explore any possibility to offer foreign dairy cultures to our consumers. Lactalis exports its Don Bernardo DOP Manchego from Spain to 29 countries, its French DOP Roquefort Société to 88 countries. It rolls out its technical expertise to introduce processing lines like we did with the Icelandic Skyr in Australia or Slovenia, or our traditional Brie in South Africa or the USA.

Healthy

At Lactalis, we strongly believe that dairy products at each stage of life are a fundamental part of a healthy and sustainable diet. Dairy's nutrient-rich package is an easy way to meet our nutritional needs, justifying their place in many dietary recommendations. We design campaigns to raise consumers' awareness on this essentiality, like "Alla tua colazione manca qualcosa?" ("Is your breakfast missing something?") in Italy. At Lactalis, we constantly adapt and improve products to the practicality and simplicity expectations of consumers and their new uses, to keep dairy products in everyone's diet.

We are convinced 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 we are committed, with our value chain, to produce it in a more sustainable way.



ANA GANUGRAVA

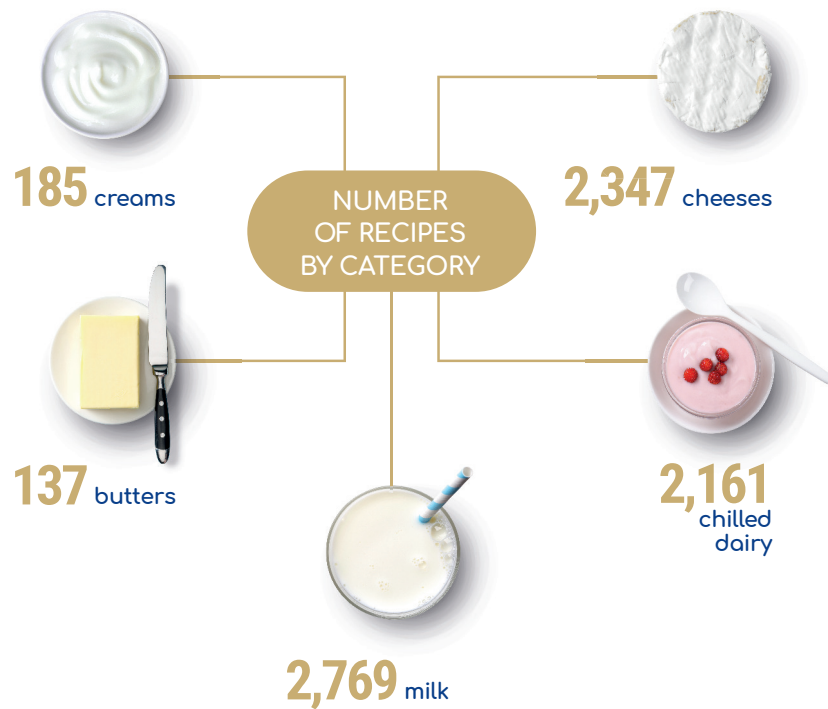
Marketing Director, Georgia

With Matsoni, we preserve the ancient Caucasian culture!

Matsoni is a typical chilled dairy, produced from an endemic Georgian ferment. It comes 2nd after cheese in local dairy consumption! It is believed to be one of the healthiest chilled dairy, naturally rich in vitamins. It has a sour taste and can be eaten plain or with honey or sugar, or as an ingredient in sauces or soups. Until the early 2000's, it was still mostly produced by small farmers and sold through open markets. Since then, we have industrialized the process to make it safer, while preserving its health benefits.

To revive traditions, our SANTE local subsidiary was first to launch drinking Matsoni in 2017.





Tasty

One of the first promises of our 200+ brands, is taste. Far from a standardized world, our brands cultivate an incredible diversity of more than 10,300 recipes, with a special focus on cheeses. Expert consumers' panels guarantee the continuous improvement of the sensory and functional qualities of our products. Indeed in all our countries, according to our demanding processes, half of our flagship products are tested every year to ensure consumers' preference. And it works! Each year our branded products receive renowned national or international awards, like Gold Medals to our Mozzarella di Bufala MANDARA at the 2021 "Italian Food Awards", or special awards to our Balderson and Black Diamond cheeses at the British Empire Cheese Show in Canada the same year.



Our Ambition: Together and committed to a profitable and responsible growth

During the year 2021, Lactalis has been dedicated to defining the Group's corporate project for 2033, in the run-up to its 100th anniversary. As always, we will adapt to the new expectations of our consumers, customers, employees, suppliers and partnering farmers, of the political and regulatory environment, and society in general. While playing its role in the sustainable transition of food systems, the Group wishes to pursue its profitable growth model.

Confident in the growth prospects offered by the dairy sector, the Group strategic orientations are:

- Cultivating its position as the world leader in dairy products, a recognized specialist in a single business, and present in all categories.
- Valuing its family-owned and independent status, which guarantees its operational and strategic agility.
- Trusting and investing in its people. Preserving, and developing an internal culture that is pragmatic, operational and locally based.
- Strengthening the balance of its activities, geographically and in its brands portfolio based on a wide range of dairy products and applications. The Group also defends the structuring of an export model.
- Maintaining and developing its position as the world's number three in organic dairy products, answering expectations of mature markets.
- Pursuing its growth strategy through a targeted and selective external growth, and internal growth based on the quality and safety of food, the culture of taste, volumes, reputation and value generated by an extensive diversity of brands.



Our Business Model

Creating value for all since 1933, with a hands-on approach

Our 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 international and local brands, associated with quality, taste, and pleasure sharing. Historic brands locally rooted

Over 200 brands. Over 30 brands with sales > value €100 Mn

Purchased goods & services

A close relationship with our global and local suppliers & farmers

22 billion liters of raw milk collected

Natural resources

A resource use based on principles of sobriety, efficiency and transition, in dialogue with our stakeholders

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)

31 pilot plants in 29 countries

Sales channels

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

Sales presence in 201 zones or countries

2,500 direct customers

Family shareholding

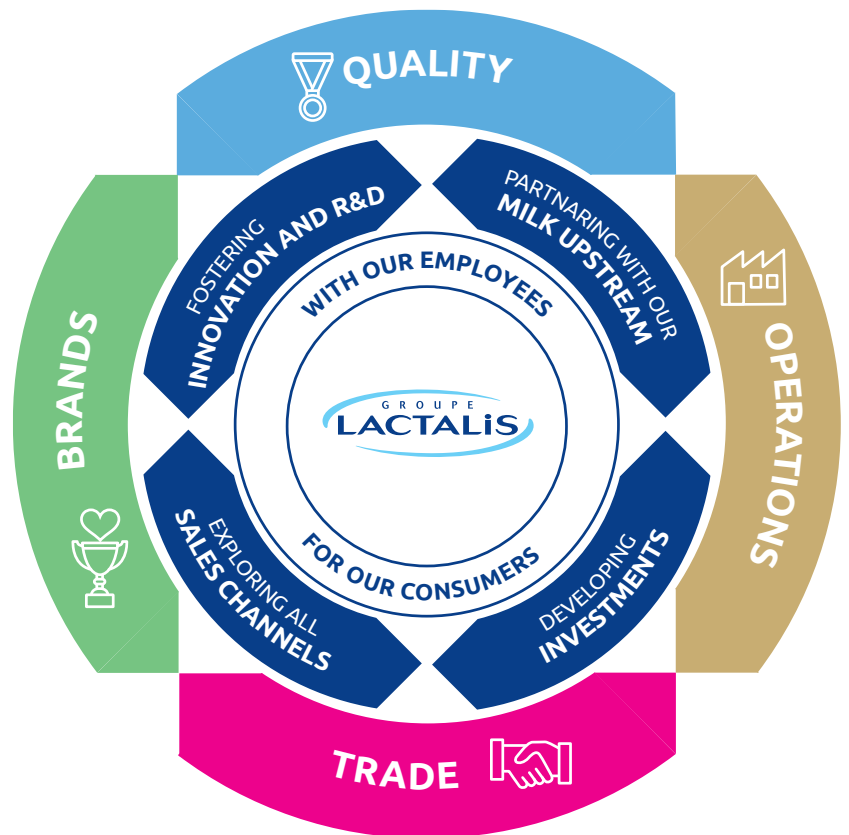
A family shareholding ensuring stability, an agile entrepreneurial spirit, and a long-term strategy

100% of the shareholding held by the Besnier family

Our Mission

A family company offering healthy and tasty products that bring us closer together

Our value creation



Our 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

Our ambition

A profitable and responsible growth

Our ecosystem & shared value

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 through simple recipes. Helping consumers to adopt balanced diets everywhere via innovative sales channels and services

Dairy sector

A leader's engagement in national dairy federations to collectively develop qualitative and sustainable standards, and shape the future of our industry

Farmers

A close and mostly direct relation with 457,600+ farmers in 49 countries. Technical advice for a sustainable production of quality milk. 650+ milk collection centers in remote rural areas

Suppliers

A responsible business relationship with our global suppliers and local partners, embarking them along our international development, exploring partnerships & innovation

Environment

Resource-efficient production ways, contributing to our mission to Feed the World with sustainable nutrition

Our main Ambitions

For our activities

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

For our employees

Zero work-related accidents

Zero occupational diseases

Engagement survey in **26 countries**

100% selected HR professionals trained

on the Lactalis Labour and Employee Relations Way

100% of our dairy technicians trained

on animal welfare by end 2023¹

For our consumers

Become **#1** in organic dairy

Simplification of recipes through **nutritional guidelines**

100% of packaging bearing waste management information by 2025² helping consumers to close the loop

For our partners

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

100% of our direct collected volumes assessed at farm on animal welfare by 2025¹

For the Planet

At least **-25%** GHG³ emissions by 2025 (scope 1 & 2)

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

Carbon Net Zero by 2050

100% of packaging eco-designed by 2025²

Minimum **30%** recycled materials in our packaging⁴

100% packaging recyclable by design by 2025²

100% packaging recyclable in practice by 2033⁵

100% of purchased palm oil and derivatives RSPO certified (Mass Balance or Segregated) by end 2025⁶

1 Ambitions on our direct volumes of collected raw milk (cow) in 8 Pilot Countries (representing around 45% of Lactalis total raw milk collection worldwide). For volumes assessment on animal welfare: by 2026 in Brazil

2 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.

3 Greenhouse gases

4 Ambition at Group consolidated level.

5 Ambition for countries with an Extended Producer Responsibility scheme (EPR), amid a set of 23 countries accounting for 85% of Lactalis Group turnover in 2019. All acquisitions since December 2019 excluded at this stage.

6 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.



TO MEET OUR
CONSUMERS'
EXPECTATIONS
ALL OVER THE

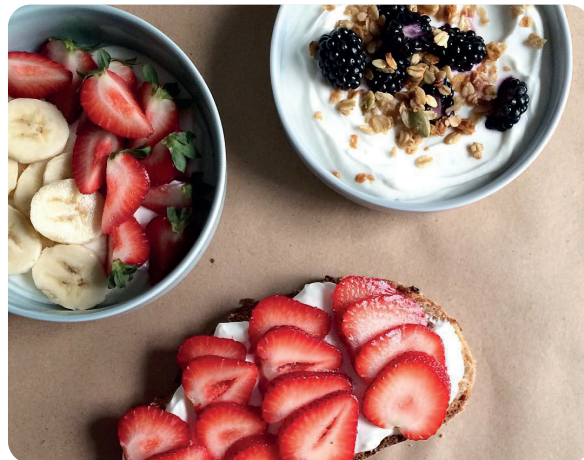
WORLD

The main consumer trends in 2021

Since 2020, the COVID-19 crisis has caused a profound change in consumption habits around the world. It has exacerbated trends that were already present before the pandemic and has heightened consumers' awareness that their food choices can have a societal, health and environmental impact.

PLEASURE, for one in two consumers worldwide food is above all a source of pleasure¹

With the health crisis and lockdowns, consumers have rediscovered the pleasure of eating and taking their time. Pleasure, an essential ingredient of food, is found in socializing, experimenting with new recipes, or awakening the senses and sensory experiences. Indeed, for a large majority of consumers, the search for pleasure is primarily associated with taste; 57% of consumers say that they like products with new and unusual flavours. This quest for pleasure and taste no longer lies only in gourmet, sweet or salty foods but also in a healthy and varied diet with quality products.



HEALTHY, the pandemic has generated new health motivations and reinforced existing needs

The principle of healthy eating is not new but has become a central focus for consumers, with health more than ever a top concern during the COVID-19 crisis. Much featured on social media, the “healthy” trend appears to be an effective way to take care of ourselves by focusing on quality products. Food has a role to play in everyone’s overall wellbeing by allowing consumers to take control of their health.

Why do you think pleasure remains such a strong trend around the world?

Pleasure is the heart of life... In times of uncertainty, health crisis, economic and social difficulties, and sometimes war, everyone becomes aware of how essential it is to make pleasure central to our lives. Eating is one of life's great pleasures in France, of course, but also around the world. It is not surprising that more than one in two consumers say that food is above all a source of pleasure.

Président's positioning is centred on pleasure in all countries where the brand is marketed. Why did you make that choice?

Président products have always been synonymous with pleasure. Pleasure in every meaning of the word, through the smells and textures of our products, which have delighted the sight, touch, smell and of course taste of our consumers for generations. But according to Président, pleasure is not only about senses. It also awakens the joy of being together, sharing good times, slowing down, enjoying the moment, “savouring to appreciate”. And true pleasure must also be respectful — respectful of the environment, animal welfare and human wellbeing. Pleasure is therefore essential to life and we, at Président, have always known that. We have made it our guiding value and the key message in our communications around the world because for “Président, pleasure is important”.



ETIENNE MAREINE

Global Brand Director, Président

¹ Source AgroMedia.fr

PROXIMITY, recognized as a purchasing driver in 2021

Increasingly aware of the impact of their diet on their health, the local economy and the environment, consumers pay particular attention to the origin of products. They are more likely to “think local” when buying food. The rise in the consumption of regional products is now a social phenomenon. Brands with strong local roots are much sought after.



COOKING, the lockdowns have created more opportunities for meals at home

The successive lockdowns have led to a return of home cooking with “home-made” meals. Consumers are renewing the pleasure of cooking simple meals, sharing more time in the kitchen and getting together at the table. The trend has also seen the emergence of new approaches in the kitchen, such as “batch cooking”. In addition, the ultra-mediatization of “home cooking” has contributed to the development of the phenomenon. For instance, at the beginning of 2021, a recipe for pasta with feta cheese (the #uunifetapasta) caused a buzz on social media and reached millions of views in a few hours, leading to an explosion of feta cheese sales around the world.

SNACKING, nine in ten adults in the world say that they snack¹

The pandemic has led to a relaxation of habits in many areas: organization of work, childcare but also the concept of meals, which is seeing the development of the snacking trend. Mini meals, indulgent and nutritious, to be consumed at any time of day. In addition, “traditional” snacking products are gradually being replaced by alternatives considered as healthier. The snacking trend is booming, especially in large cities, making the food experience both more diverse and more individual.



¹ Source AgroMedia.fr

Tasty and healthy products for our consumers

At the heart of Lactalis' business, dairy products are a major source of calcium, 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).

To fit with our company's mission, we have based our corporate nutritional policy on four axes: sugar & salt guidelines, simpler formulas, complete nutritional labelling, and raising awareness on the place of Dairy in a balanced and sustainable diet. In 2020 and 2021, we have put in place indicators to monitor the implementation of this policy.

Through a wide range of sustainably produced foods, and by spreading knowledge about diet and nutrition, we can play our part in human health and well-being according to the United Nations 2030 Agenda for Sustainable Development.

Portion size: a key to reach a balanced diet

At Lactalis, we promote a clear, complete and understandable consumer information on food products. We are thus participating in industry platforms to improve existing systems. It is notably the case at the European Union level, with our contribution to official consultations on the evolution of the related regulation.

We are also convinced that raising consumers' awareness on the right portion size is a useful complement to help them adopt balanced healthy diets. In that sense, we encourage a widespread use of portion indications on our products.



GÉRALDINE CHIBRACQ

Quality & Development
Manager, France

Why did you decide to simplify a best-seller dairy recipe?

We have identified a real expectation from consumers to reclaim products with a "simpler" recipe. They want to know the used ingredients, their origin, and how we use them. That is why, for our "La Laitière 4 ingrédients" dessert we decided to select ingredients that you can find at home: milk, sugar, chocolate or vanilla, and flour.

What have been your main challenges in this project?

With the R&D and industrial teams we had to build knowledge on ingredients such as tapioca flour, and adapt our processes like cooking temperature. We also had to fine-tune the proportions between chocolate and whole milk to keep a smooth and shiny texture, while making sure the cream stays firm in the spoon. The pleasure of taste and simplicity!

1 Adapted version for the French nutritional front-of-pack labeling system.

2 Figures for 2021. Scope includes complete reported levels for Australia, Belgium, Brazil, Canada, Croatia, Czech Republic, France, Germany, Italy, Portugal, Romania, South Africa, Spain, Sweden, Switzerland, United-Kingdom, USA. Scope includes all products, except infant formula, ingredients, food intended for special nutrition.

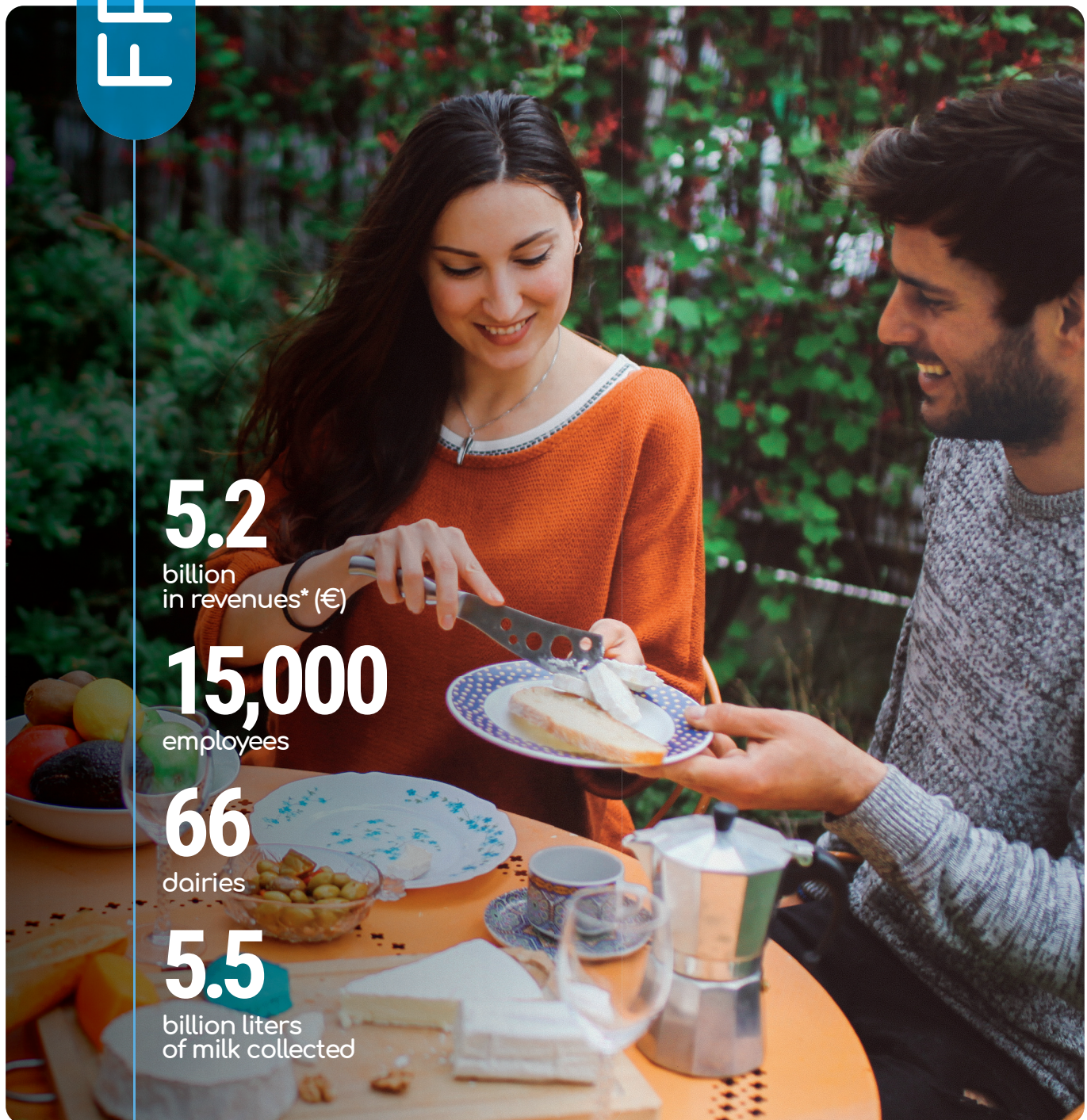
COMMITMENTS

79% Chilled dairy products and flavored milks are the main sweetened products in our ranges. We have established internal standards for each category of sweetened dairy products, adapted in particular from the renowned Rayner table for a nutritional front-of-pack labeling system¹. 79%² of the volumes of these products already meet these objectives, and our ambition is to reach 85% by 2026, while preserving taste and pleasure.

4.8% We have established our internal classification of additives based on published lists and our customers' requirements. We closely monitor the gradual removal of a short list of priority additives. The residual volume of products still containing at least one priority additive is reported at 4.8%² in 2021.

FRANCE

CREATION OF A NEW ENTITY



5.2
billion
in revenues* (€)

15,000
employees

66
dairies

5.5
billion liters
of milk collected

* France and Export

In 2021, France registered record economic growth of 7%. This was the best performance in 52 years. It was accompanied by inflation due to a surge in the price of manufactured goods. At the same time, France experienced a sharp drop in milk production of nearly 50,000 tons, the largest in five years. In this context, the Egalim 2 Act came into force at the end of 2021.

France remains our Group's leading country and represents one fifth of our business. In March 2021, the Group created a new entity that brings together French activities, European ultra-fresh products and part of the export business. With a 15% market share in dairy products, Lactalis France remains by far the leader in the French market with its brands. The cheese activity performed well in 2021, while the food service activity showed an improvement without returning to pre-pandemic levels.



PRÉSIDENT

A new pleasure 100% goat cheese

For more enjoyment, Président has launched a new gourmet offering on the promising goat cheese market: Crottins Fondants. Produced in our Riblaire cheese factory from 100% French milk, their distinctive flavour and melting texture, more accessible, aim to appeal to families and young people seeking popular and versatile cheeses. Crottins Fondants can be eaten both cold and hot for fast-growing kitchen use, especially among young people.



The inimitable P'tit Basque in a sheep-goat cheese version!

ISTARA

New in the sliced cheese department: Istara has launched a new P'tit Basque product made with ewe and goat milk! This delicate blend of milks gives it a soft, melting texture and a distinctive subtly fruity flavour. P'tit Basque Ewe-Goat's tommelettes are made from December to July in the village of Larceveau in the heart of the French Basque Country. They are then matured in our cheese dairy's cellars for more than two months. Each cheese is washed and brushed at least four times during its production by our Istara cellar masters, whose know-how remains unique.

siggi's
une recette simple,
moins sucrée

SIGGI'S

Siggi's confirms its success in France

Launched in spring 2019, the Siggi's brand continued its development on the French market and posted a very good year in 2021 with an internal sales volume up 111% compared to 2020. The brand with a simple recipe (0 artificial flavour, 0 colouring, 0 preservative, 0 sweetener and less sweet) is already No.2 in France's skyr market with 16.7% of volume market share.



LACTEL

L'Onctueux: for new and unique sensations

In response to consumer demand for new sensations, Lactel launched L'Onctueux in June 2021: a new recipe with natural ingredients, a mild, light taste and an incredibly creamy texture. L'Onctueux can be eaten hot, cold or in cooking. 90% of consumers who tested it recommend it.

SAINT-NECTAIRE PDO

Inauguration of the new cheese factory in Condat, Auvergne

Our Group confirmed its roots in PDO cheese with its new cheese factory specializing in the production of PDO Saint-Nectaire, originally installed in 1928 in the heart of the village of Condat. Inaugurated in September 2021, the extension of nearly 2,000 sq. m joined the existing 2,000 sq. m, meeting the requirements of modernization and the ambition to increase annual volumes while preserving the tradition and know-how surrounding the cheese's manufacturing.



EUROPE

A YEAR OF RECOVERY IN AN ADVERSE CONTEXT



6.9
billion in
revenues (€)*

25,500
employees

84
plants

5.9
billion liters
of milk collected

* Except France

This was a recovery year for Europe, particularly for the eurozone, which saw an all-time record of 5.2% GDP growth in 2021 following a 6.4% drop in 2020 due to the COVID-19 pandemic. Europe also faced high inflation, which led to significant pressure on many raw materials, manufactured goods and supply chains. In the eurozone more specifically, inflation reached its highest level in 25 years and stood at 5%. At the same time, the European milk price reached a record level of €413/T at the end of December 2021 according to the European Milk Market Observatory (MMO). In this context, the two major countries of the Lactalis Southern Europe zone, Italy and Spain, posted slight growth. For its part, Croatia recorded performances of +30% despite sluggish tourism.

Lactalis Northern Europe had a slightly better year. In 2021, the CIS zone continued to improve its performance thanks to our local teams' unflinching commitment in an unstable geopolitical environment.

Stay Strong to conquer Europe

Launched in 2016, the Danish lactose-free Stay Strong brand aimed at athletes continues to grow. In Denmark, the sugar-free high-protein yogurt has been added to the Stay Strong range in 2021. In Germany, the Minus L protein milk brand migrated to the Stay Strong brand and enjoyed healthy 53% growth. Overall, the brand recorded exceptional progress of 47% in 2021. Brand extensions into other Northern European countries are already planned for 2022.

DENMARK
GERMANY



Flor de Esgueva celebrates its 75 years of history

SPAIN

Since 1946, five generations of master cheesemakers have used their expertise to produce Flor de Esgueva, a Spanish sheep-milk cheese with a unique and unmistakable taste, on our Peñafiel (Castilla y León) site. The recipe has remained secret and true to its origins for 75 years. For its contribution to cultural and gastronomic heritage, the authorities of Peñafiel decided in November 2021 to name one of its streets "Flor de Esgueva".



www.dukat.hr

CROATIA

Dukat gets a makeover

The Dukat brand, established in 1912, was comprehensively repositioned in 2021. The logo has been reworked with a drop of milk to highlight the brand's history in the Croatian dairy market. It also incorporates the new brand slogan "For you since 1912". All the range's packaging has been redesigned with the new logo and a more modern, cleaner look to emphasize the importance of milk.





SWEDEN

Skånemejerier launches the grilled cheese Pannoumi

To meet consumer demand for cooking cheese, Skånemejerier's food service division has launched its first grilled cheese:

Pannoumi Stek & Grillost. The product is made from Swedish milk at our dairy in Kristianstad. It is a versatile cheese that can be used in burgers, salads and tapas and is suitable for both grilled and fried foods. From a nutritional point of view, this protein cheese is an excellent alternative for vegetarians or people who want to diversify their diet. The distribution, currently limited to catering professionals, will be extended to supermarkets for consumers in 2022.



ITALY

Mandara launches a range of mozzarella in individual format

Thanks to its unique know-how in the production of Mozzarella di Bufala for three generations, the Mandara brand, marketed by our subsidiary Castelli, has launched a new range in individual format. Each package contains a 100 g ball of Mozzarella di Bufala for a meal on the go or simply for a fresh snack. The carton packaging keeps the product fresh and limits the impact on the environment. The brand also offers organic and lactose-free versions.



Yoggi increases its environmental responsibility and develops a recyclable bottle

Yoggi has developed a new recyclable bottle that, by being smaller, reduces plastic consumption by 28 tons compared to the 2020 sales volume. It is supported by a strategy to limit the number of trucks used for transportation through a more optimized logistics flow. To accompany this new packaging, the brand has reworked its image by focusing on more modern and direct communication with consumers thanks to the presence of information on good recycling practices on the back of the packaging.

PORTUGAL



OCTOBER 1, 2021

Lactalis welcomes LEERDAMMER and SHOSTKA and marks a new chapter in its history

On October 1, 2021, our Group acquired two very well-known brands in Europe: Leerdammer and Shostka. This acquisition is fully in line with our development strategy.

850
employees

€550 million
in sales

5 main countries:
Germany, France, Italy, and production in the Netherlands for Leerdammer, Ukraine for Shostka

4 production sites: **3** Leerdammer + **1** Shostka dairy

Local milk collection from **1,000** Dutch and Ukrainian farmers



Leerdammer: **3** production sites in the Netherlands



Leerdammer

No.1 in Europe for sliced cheese
No.1 for hard sliced cheeses in Germany, France and Italy
Since its creation in 1974, the brand has developed a diversified product portfolio with a very wide range of cheeses for various uses: cooking, snacking, salads, sandwiches or platters.



Shostka

Shostka is a major cheese producer in Ukraine.
The brand is very well established and is particularly appreciated by Ukrainian consumers.



JAN VERBESSEM

General Manager Leerdammer

"As a major cheese producer, our Group has always paid special attention to cheese and its tradition. The Leerdammer brand is one of the most recognized cheese brands in Europe. It therefore has a rightful place on the "Lactalis cheeseboard" and will benefit from our Group's international scope to continue its development. We are very happy to welcome this brand and our new colleagues to continue, together, its growth worldwide."

AMERICAS

GOOD PROGRESS FOR NORTH AMERICA AND BRAZIL

6

billion
in revenues (€)

23,000

employees

69

plants

7.1

billion liters
of processed milk



North America, like the rest of the world, was not spared from inflation in 2021. Despite this situation, the United States is the only country where the price of milk has declined, with collection increasing by 1.7%. Canada also showed positive growth at 4.6%. With 2.3 billion euros in 2021 in core channels, Lactalis Canada has become Lactalis' second-largest country in terms of sales thanks to remarkable performances. Lactalis has also become the leader in branded dairy products in Canada and No.4 in consumer goods. In the United States, our California-based ethnic products subsidiary Karoun has recorded strong growth. Our organic brand Stonyfield performed well and is approaching 5% in value market share. 2021 was also marked by the acquisition of Ultima Foods in Canada and the integration of Kraft natural cheeses in the United States.

Lactalis South America, which had a positive year overall with a 3% increase in sales, is facing an unstable environment. The region is still affected by the health crisis, with a general increase in costs despite a recovery in the economy. In Brazil, the price of milk rose by 26%. Argentina, also affected by the economic crisis, recorded inflation of more than 50% over the year and saw its milk production increase by 4%. Lactalis Do Brazil, which accounts for most sales in the region, performed very well with the Président brand, which grew by 35% despite the fall in the real, the country's currency. Exports from the Central America and Caribbean region also continued to grow well. For the Southern Cone (Argentina, Chile, Uruguay) and Mexico, the year was more difficult, particularly for Chile.



BRAZIL

Strategic partnership with the Cativa cooperative

In June 2021, Lactalis Do Brazil signed a strategic partnership with Cativa, a local cooperative in southern Brazil. Cativa Cooperative was founded in 1964 and is one of the leaders in milk collection and processing in the state of Paraná. This project aims to develop the cooperative's collection and the region's dairy basin. In this context, Lactalis has acquired the two Cativa production sites located in Cerqueira in the state of São Paulo and Londrina in the state of Paraná. Brazil therefore confirms its major place within our Group, in terms of both collection, with more than 2 billion liters of milk collected, and workforce, with almost 10,000 employees.



CANADA

Acquisition of Ultima Foods

In March 2021, Ultima Foods, the third-largest Canadian player in the yogurt market, joined Lactalis Canada. With two production sites, one in Granby (Quebec) and the other in Delta (British Columbia), Ultima Foods distributes its products under three very popular brands in Canada: "iögo" and "iögo Nanö", generalist yogurt brands, and "Olympic", the leader in organic products. Lactalis is therefore consolidating its presence in the North American market, particularly in the organic sector.

UNITED STATES

Siggi's launches its low-sugar yogurt line

In early 2021, Siggi's launched its newest line of reduced-sugar yogurts. The new offering contains 50% less sugar than the leading Greek yogurt on the market. With 2% fat, the product is available in several flavours and sizes. The range is part of the brand's commitment to provide consumers with reduced-sugar products made with simple ingredients and no artificial sweeteners.



Kraft's natural cheese activity joins our Group

Among the 2021 acquisitions, that of Kraft's natural cheese activity in the United States was undoubtedly one of the most important. 750 employees joined Lactalis USA, as well as three cheese factories (Tulare in California, Walton in New York State and Wassau in Wisconsin). This acquisition comprises a portfolio of iconic American brands including Cracker Barrel, Breakstone's, Knudsen and Hoffman's and a license for the Kraft brand for natural cheese.



Founded by James L. Kraft, this brand has become a reference for cheeses in the USA. Following the acquisition of various divisions of Kraft Heinz, Lactalis Canada has added the Kraft Heinz line of grated cheese to its portfolio. The Group also takes over the use of the Kraft brand for cheeses around the world with interesting positions in Japan, South America and Australia.

Creation of Lactalis Heritage Dairy

Following the acquisition of Kraft's natural cheeses, a new division, based in Chicago, has been created: Lactalis Heritage Dairy. We have named this new entity to underline the strong American tradition of the brands joining our Group. Lactalis Heritage Dairy brings together a portfolio of brands with a strong reputation: Kraft Natural & Grated Cheese, Cracker Barrel, Breakstone's, Hoffman's and Knudsen.

UNITED STATES



The very successful launch of Lactalis Heritage Dairy demonstrated the deep passion, ambition and partnership ingrained in the Lactalis culture. We are proud of how far we have come and are extremely grateful to our entire Lactalis family for their support on this journey. We look forward to building the future of dairy with the Lactalis team!

PETER COTTER

New General Manager, Lactalis Heritage Dairy

AFRICA

ASIA

PACIFIC

DESPITE
INFLATION,
LACTALIS
IS STAYING
THE COURSE

3.9

billion
in revenues (€)

22,000

employees

51

plants

3.5

billion liters
of milk collected



The Asia-Pacific zone had a good year despite contrasting situations. Australia saw a 0.7% drop in milk production, due in particular to weather conditions marked by major forest fires and flooding. On the economic front, despite an inflation rate of 2.5%, the country posted dynamic growth. In this context, Lactalis ended the year with excellent results, and Australia became our Group's sixth most important country. Malaysia, which is close to achieving high-income status, has one of the most mature emerging economies with GDP growth of 3.5% over 2021. Lactalis Malaysia has significantly improved its profitability and continued to grow organically by more than 15%, thanks in large part to Lactel, which remains the leader and has increased its market share to 48%. India, once again hit hard by Covid, had a more difficult year.

Turkey, Africa and the Middle East experienced a year marked by an unstable environment, which had a significant effect on exchange rates with an average devaluation of the zone's currencies of 24%. Therefore, despite positive performances, results declined in 2021. This currency volatility has led to high inflation of more than 50% in Turkey, 6% in Egypt and over 9% in southern Africa, resulting in a sharp fall in purchasing power. Despite this economic crisis, the countries of the Turkey, Africa and Middle East zone have performed well. Algeria had a record year for Camembert, with an increase in sales of over 47%; Président became the preferred brand for 63% of consumers. In South Africa, our Group maintained its leadership in the cheese market and increased its market share to almost 40%. Despite the economic context, Turkey continued to grow.

TURKEY

Içim achieves a complete repositioning

In 2021, İçim, the third-largest player in the Turkish dairy products market, has completely repositioned its brand with the objective of differentiating itself in a very competitive market. An umbrella brand has been developed, bringing together the six İçim surrogate brands around the emotional benefit: "Look at the bright side of life". This slogan has been used in all the brand's communication campaigns. The repositioning has resulted in the recruitment of 783,000 Turkish households for the entire range. In addition, the milk, kefir, labneh and butter categories have seen their market share increase significantly.



SOUTH AFRICA

Mature Gouda voted product of the year

Mature Gouda, aged for ten months, has been awarded the prestigious prize of "Best South African Dairy Product of the Year" for the third time at the "South African Dairy Awards 2021". This is the fourth time in five years that a product manufactured by Lactalis South Africa has won the award at this important annual event.



INDIA

The revolution of yogurt drinks!

In September 2021, Lactel launched Turbo, the first yogurt drink in a gourd on the Indian market. Available in two varieties, mango and strawberry, it is distributed in the south of the country. This launch responds to Indian consumers' demand for snacking products that are easy to take away and consume. The objective is to develop the distribution of this range to cover the western part of India.

MALAYSIA

Lactel enters the children's yogurt market

A new range of yogurts for children has been launched in Malaysia with the Lactel Kids brand: products rich in calcium and vitamin D which promote bone growth in children. They are available in three varieties: strawberry, vanilla and banana, and score 71% preference over competing brands thanks to their creamy texture and balanced taste. After six months, the brand has become the second-largest player in the segment with a 9% market share.



AUSTRALIA

Tamar Valley launches its range of gourmet yogurts

The Creamery is the name of the new gourmet yogurt range launched by Tamar Valley. Its secret? Deliciously creamy products made from natural ingredients, real fruit and fresh Tasmanian milk. The range has brought 13% additional sales to the gourmet yogurt market in Australia.

AFRICA/ASIA/PACIFIC

Delical continues its global development strategy

Delical, our clinical nutrition brand, is aimed at people who are malnourished and need supplements enriched with calories and proteins. With its top position in France, our teams have started to deploy the brand worldwide in China, Australia, South Africa and the Middle East, based on a policy of constant innovation adapted to local expectations. Clinical nutrition is a category with very high potential due to the aging of the world's population.



Alula to conquer the world

For the past two years, our Sanulac teams have been preparing the launch of our new infant milk brand Alula, replacing S26, with a positioning moving towards greater proximity and nutritional expertise. In China, Alula has established a strong presence in recent years, with 45% growth by 2021 despite the sharp drop in the birth rate and the pandemic. Building on this success, our teams are gradually developing Alula in several countries around the world, including Australia and South Africa, using optimized formulas that reflect the latest scientific and medical advances. A major support plan for the medical profession is currently being deployed to announce our new brand and establish Alula's nutritional expertise.



TO MEET
THE MAJOR
CHALLENGES
OF SUSTAINABLE

DEVELOPMENT

Why did you recently associate CSR with the Quality Department?

Lactalis wanted to confirm the centrality of its consumers and customers in its corporate strategy. Their expectations concerning our products and production methods inspire and guide us. Linking Quality to CSR aims to provide the best response to these two perspectives. In addition, this new Quality & CSR Department reports directly to the company's CEO. This sends out a strong signal that, in addition to being profitable, our growth must also be responsible.

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

When the Group was founded in 1933, we were 2.5 billion people on Earth. According to the United Nations projections, by the time Lactalis celebrates its 100th anniversary there will be nearly 8.5 billion people. However, our planet's capacity to provide energy, food, or its ability to absorb effluents and waste is limited. The IPCC reports also show the climate emergency, its impact on our communities and on the biosphere.

Our current production methods contribute to these impacts. 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 to do so! Our ripple effect allows us to explore and locally replicate in a quick way some solutions (energy or water savings, for example) that have proven successful elsewhere. In 2020 and 2021 we have

consulted our stakeholders, identified our priorities, measured our impacts and made commitments. Our first focus are climate, the circularity of our packaging and animal welfare.

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

We have an ethical responsibility. It would be an unbearable paradox not to care about the environment in which people will live, when at the same time we are offering them the food they need to build themselves up and project themselves into the future. In the shorter term, it is impossible today to consider the economic performance of the company without taking into account our social and environmental performance. Moreover, CSR is also a lever for operational excellence (energy optimization, waste reduction), employee motivation and reputation.

How do you engage employees in this Lactalis CSR journey?

A credible and pragmatic CSR policy inspires confidence and federates but also attracts new talent. We need this creativity to challenge and guide our roadmap. We also need to nurture this internal CSR culture. More than 300 in-house experts from different technical departments around the world have worked together to build our Group's commitments. They collected and analyzed nearly 600,000 data to build our collective ambitions. We are proud of this human adventure!



«A CREDIBLE AND PRAGMATIC CSR POLICY INSPIRES CONFIDENCE AND FEDERATES, BUT ALSO ATTRACTS NEW TALENT.»

AGNÈS BAUDET-BARBEZANT

Group General Manager for Quality and CSR



A CSR Journey written hand-in-hand with our stakeholders

At Lactalis, CSR is embedded into our way of doing business. Our hands-on approach has always nurtured local initiatives blossoming everywhere over our operations and in the relationship with our partners. In 2020, we let our stakeholders point at their views on our CSR impacts and potential biggest leverage. This wrote our first Group's CSR roadmap. Our working process then ensures it fits in with local expectations of our countries, and fuels the pioneering role our brands should always keep. The Lactalis Group is also committed to the United Nations Global Compact corporate responsibility initiative and its principles in the areas of human rights, labour, the environment, and anti-corruption¹.

Engaging with our stakeholders to select our responsibility priorities

We will not drive change alone. CSR is a matter of dialogue and transparency with our stakeholders along and outside our value chain. In 2020, we conducted a wide consultation of 175+ internal and external stakeholders over 14 of our biggest countries. We made sure to select CSR-mature and less mature countries, to embrace the diversity of our communities, concerns and expectations. 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. Results have been presented to the Board and the conclusion was clear: our first priorities should be Climate & Carbon footprint reduction, Circular Economy & Responsible Packaging, and Animal Welfare. With this in mind, we have wrote our first roadmap. We are committed to regularly repeat such consultation to ensure we take the most significant paths.

33
CSR topics

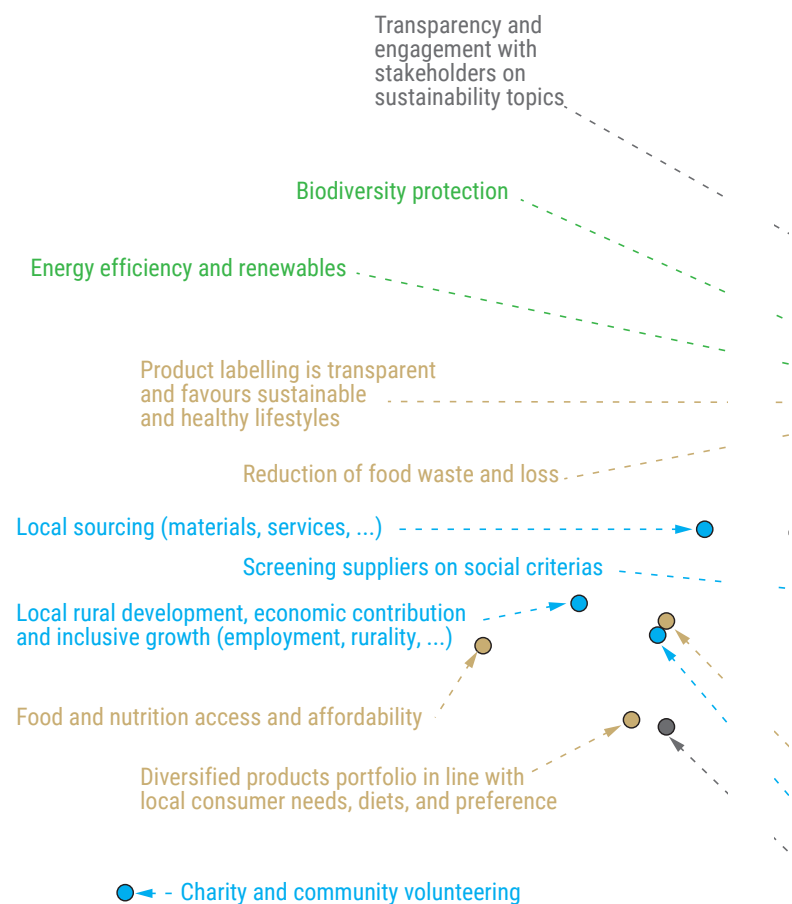
175+
consulted
stakeholders

¹ www.unglobalcompact.org

WE SUPPORT



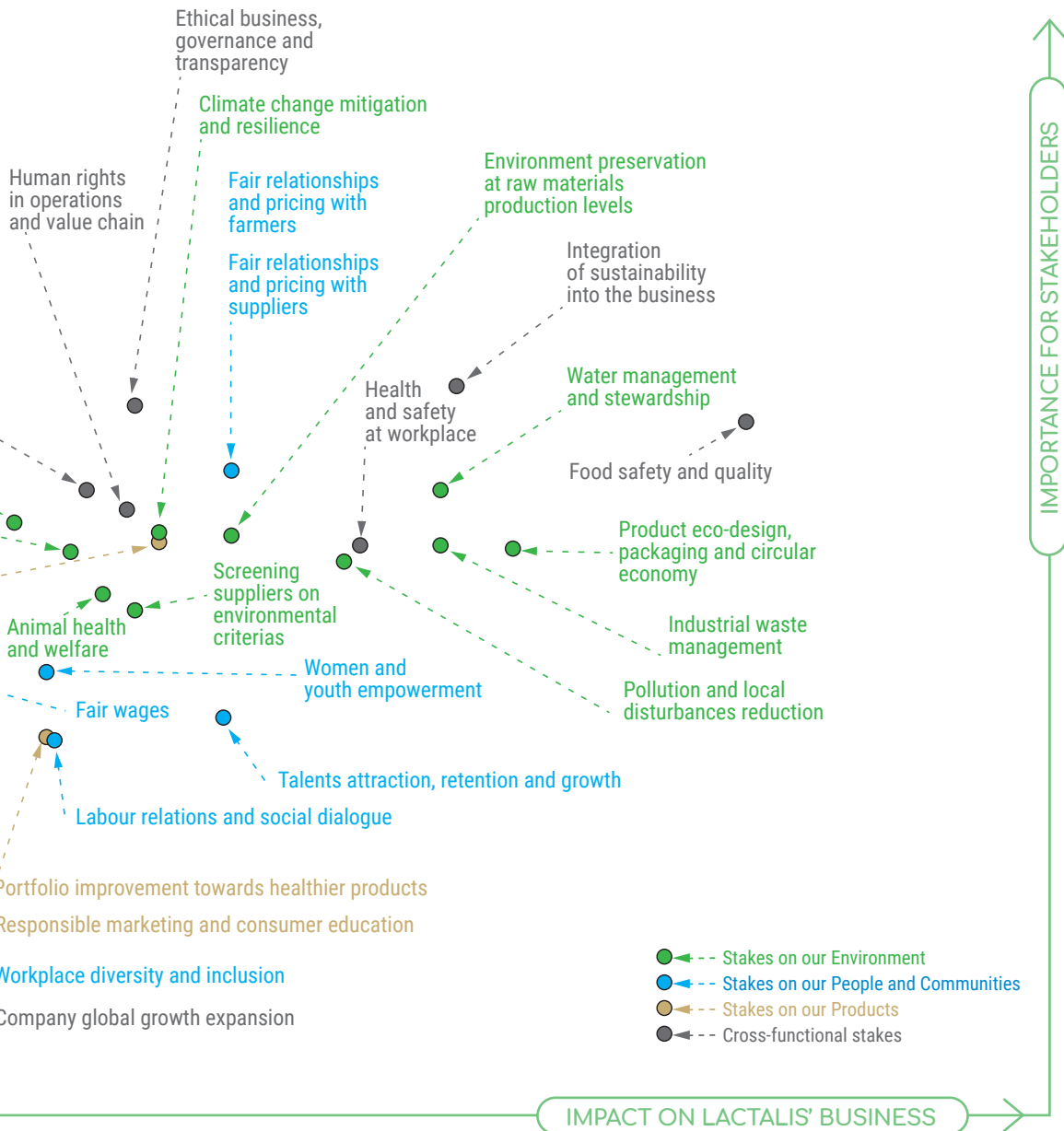
MATERIALITY MATRIX





Shaping an inclusive CSR governance model

We may have identified our CSR priorities, but every topic deserves to be discussed, prepared and addressed. That is why we have initiated international cross-technical working groups and committees, attaching each of our 33 CSR stakes to one of them. As we adopt a risk/opportunity approach in every working group, we make a point to gather headquarters' experts and national technical people representing the countries that are bringing most of Lactalis' global exposure to the addressed topic. We collectively shape our vision, policies, homogeneous reporting methodologies, and possibly propose Group commitments and deadlines. Proposals are then validated in a Decisional Body, then by the Board, and finally validated and endorsed by the very Owner of the company. All the way long, proposals are being discussed within an international CSR Network of about 50 in-house professionals from every technical backgrounds. In that sense, at Lactalis, CSR is everyone's business and we feel a shared Responsibility in improving the way we deliver on our company's mission.



Accelerating the transition towards lower-carbon products

At Lactalis, we believe that dairy products are part of the solution for sustainable nutrition. We are therefore committed to working to reduce our impact on the environment and the climate, throughout our value chain. Hence, we are continuing our efforts in the area of water management, waste treatment or resource use. This year, we have chosen to dedicate these pages to our 2021 work on building our roadmap to reduce the Group’s carbon footprint. Our ambition: to contribute to achieving Carbon Net Zero by 2050.

The latest IPCC reports (Intergovernmental Panel on Climate Change) emphasize that it is still possible to limit the global temperature increase to +1.5°C compared to pre-industrial levels, but that we are getting dangerously close to this threshold. We are aware of this climate emergency, and we want to use our global size to initiate a positive impulse on our various local stakeholders.

In 2021, we have carried out an inventory of our carbon emissions, taking our 2019 emissions level as a reference (“base year”). We used the internationally recognized methodology of the GHG Protocol (GreenHouse Gas Protocol), focusing firstly on our direct emissions from our industrial and logistics activities (known as “scope 1” and “scope 2” emissions). This work has enabled us to set two initial milestones for reducing our scope 1 and scope 2 emissions in 2025 and then in 2033, Lactalis’ 100th anniversary.

However, we know that more than 80% of our greenhouse gas emissions are generated upstream and downstream of our value chain, linked in particular with the activities of our farmers and suppliers. Initiating dialogue with all our partners is therefore essential to accelerate the reduction of Lactalis’ indirect emissions (known as “scope 3”). That is why, in 2021, we have launched a carbon footprint measurement on an initial sample of 700 farms, representing 50% of our worldwide milk collection. We have selected the Cool Farm Tool of the Cool Farm Alliance¹ to carry out this diagnosis before extrapolating the results.

In early 2022, to ensure that our targets are consistent with the scientific recommendations of the Paris Agreement, we have committed to set science-based emissions reduction targets in line with the Science Based Targets initiative (SBTi)². The validation of our approach will enable us to accelerate the actions we are already taking to reduce our carbon footprint.

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 to Dairy Net Zero³” initiative



1 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.
 2 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.
 3 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.



SPAIN

OUR INDUSTRIAL SITES

Cogeneration enables us to produce electricity and heat for our plants from a single energy source. At the end of 2020, we stopped using fuel cogeneration at our Granada (Spain) site, switching to natural gas, which emits less CO₂. This allowed us to reduce our carbon footprint by 80% at the site level and by more than 50% at the national level by 2021.



SWEDEN

OUR LOGISTICS

In Sweden, Lactalis has committed to stop using fossil fuel vehicles by 2025, anticipating the national Swedish objectives by 5 years. Today, 96% of our Swedish fleet has been converted to clean energy, in particular to HVO (Hydrogenated Vegetable Oil). HVO is a 100% renewable fuel, made from rapeseed or wood waste, for example. Its greenhouse gas emissions are 90% lower than diesel.



ITALY

OUR UPSTREAM FARMING

Cows' methane emissions are responsible for 58% of the carbon footprint of a dairy farm, and Lactalis is studying many solutions to reduce these emissions. In 2021, Lactalis Italy has partnered with DSM and the Università Cattolica di Piacenza to design a test to reduce methane emissions from cows. Previous studies have shown that these emissions can be reduced by 30% with the Bovaer feed additive. The objective of this pilot, starting in spring 2022, will be to measure the impact of this additive combined with the feeding pattern of dairy cows in Italy.

« AS IT STEMS FROM THE CIRCULAR ECONOMY AND OFFERS GREAT PROSPECTS FOR DECARBONIZATION, XTL IS A PROMISING ALTERNATIVE FUEL! »

What are the levers for decarbonization in transport and logistics?

Transport and storage activities are ever-present over our value chain, from the collection of milk at farm level to the last mile to deliver our customers. Our teams are therefore mobilized 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 such as XTL.

What are the opportunities associated with this type of alternative fuel?

XTL is a synthetic biofuel made from vegetable oil residues and animal fats. It reduces CO₂ emissions by almost 90% compared to a diesel vehicle. It also has the advantage of being compatible with all diesel engines, with no impact in terms of maintenance. At the beginning of 2022, we will launch a pilot test on 30 vehicles of our fleet in Saint-Vulbas (France) to measure the impact of this fuel in real conditions.



STANISLAVA PAQUET

Group Supply Chain QSE-CSR Director

Improving packaging and working with our stakeholders to close the loop

Packaging is fundamental for 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 the greatest number, anytime & anywhere. Yet we are aware of the impacts of our packaging on the Planet's resources, environment and biodiversity. That is why, we build partnerships with our stakeholders and take a pre-competitive approach to speed up opening a new era, notably on our packaging circularity. Our brands will keep pioneering and engaging consumers with us on this collective journey.

The Right Pack. Neither too much, nor too little

We search for the right balance between our aspirations to reduce packaging and its essential role in preserving the quality, safety, and convenience. We will screen packaging options with an eco-design tool to develop and select the Right Pack. We reduce unnecessary packaging components which do not contribute to consumer convenience or logistics efficiency. Minimizing "packaging intensity" is also one of our main lever, by reducing the quantity of packaging per kilogram of product.

COMMITMENTS

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 2025¹.

Heading toward circularity

We take a special care in selecting our packaging materials to make sure they are produced sustainably, and do not disrupt local sorting and recycling schemes. We want to develop the use of recycled materials in our packaging and we aim to ensure proper recyclability of our packaging wherever sold. 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 our packaging.

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

We aim for 100% recyclable packaging by design in 2025¹ (Status 2019: 83%)

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

We aim to eliminate PVC from our packaging by 2025³

COMMITMENTS

Educating consumers and partnering to close the loop

At Lactalis, we believe that we have a responsibility to raise awareness about our collective circularity challenge to internal and external stakeholders. By proposing clear and innovative sorting instructions on our products, we engage in dialogue with our consumers to help them embark on the circularity Journey. We also plan to encourage our employees to embrace our collective challenge by participating in trainings on our Packaging Policy, and joining the World CleanUp Day at company level. Further engaging into local ecosystems and collective platforms will also be key to develop recyclability streams when they do not exist.

COMMITMENTS

100% of packaging will bear waste management information by 2025¹ (2019: 34%)

1 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.
2 Calculated scope 2019: France, Spain, Germany, Belgium, Sweden
3 Ambition set at Lactalis Group level. All acquisitions since December 2019 excluded at this stage.
4 Mass balance: chain of custody allowing the attribution of "circular origin" credits for the materials used.



ANNE CHARLÈS-PINAULT

General Manager of LACTEL, France

« AS A LEADER, WE HAVE TO EXPLORE TOMORROW'S PACKAGING. LACTEL IS VERY PROUD TO CONTRIBUTE TO ADVANCING RESEARCH TOWARDS A MORE CIRCULAR PACKAGING. OUR AMBITION FOR 2022: 2 MILLION RHDPE MILK BOTTLES. »

FRANCE

Promoting a better circularity for our packaging

In 2021, LACTEL is the first dairy brand to explore a solution for its UHT milk bottles produced with circular post-consumer recycled HDPE, following the mass balance principle⁴. This advanced recycling project developed in collaboration with INEOS, helps us replacing gradually fossil based plastic, with the aim to create a more circular economy. A first successful trial from 140,000 milk bottles has been carried out in our Montauban facility, in France. This plant has been RSB-certified in April 2021 (Roundtable on Sustainable Biomaterials).



1,200

Lactalis employees & their families

from 24 countries joined the World CleanUp Day 2021!



SPAIN

Improving the recyclability of packaging solutions

In Spain, our PULEVA brand is transitioning from LDPE film to recycled LDPE (rLDPE) grouping films, achieving a reduction of nearly

550 tons of virgin LDPE in 2021. With a first goal going from 0% to 30% rLDPE, we have now reached our second stage target: rLDPE films with 50% post-consumer recycled material!



CROATIA

Reducing unnecessary packaging

In Croatia, we have removed the plastic lid and the plastic spoon from our Président Fresh Cheese 200g range. Thanks to this initiative, we have reduced the volume of plastic by almost 5 tons.



Caring for animals all along our supply chain

As the third largest global milk collector, we pay special attention to all the animals in our supply chain, in particular to the 5 million dairy animals providing the milk we process (cows, buffalos, sheep and goats). We have a responsibility toward them and fully recognise them as sentient beings. Moreover, there is a close link between their wellbeing and high quality milk. In the end, contributing to good animal welfare helps to improve the performance of our partnering farmers and to meet the expectations of our consumers and civil society.

We collect milk in 49 countries with much heterogeneity over milk farming systems. For this reason, we have developed an animal welfare approach that aims to be both internationally credible and locally relevant. First, the “Five Freedoms”, which are widely recognised (including by the World Organisation for Animal health, OIE) are our cornerstone. Second, favouring a science-based approach, we rely heavily on the existing Welfare Quality® Assessment Protocols (setting procedures for animal welfare assessment), as well as on the expertise of the Welfare Quality Network of which we became an associate Member in 2021. And third, as national charters are often already in place, we build on them as much as possible.

In 2021, we performed a wide assessment on 700 pilot farms over 9 countries, representative of around 50% of our global milk collection (22 billion liters). The sampling methodology used to select the pilot farms has been defined with our partner Wageningen University & Research to allow extrapolation of data. We have then shared the results with renowned NGOs and our in-house experts, to set the Lactalis Group Animal Welfare Policy: zero tolerance towards cruelty to animals, the structuring of a continuous improvement approach with our farmers and dairy technicians and the annual publication of our progress. Country by country, our teams are encouraged to go beyond these Group Policy if local maturity allows it.

COMMITMENTS

- 100% of our dairy technicians will be trained on animal welfare by 2023¹
- 100% of our direct milk volumes will have on-farm assessment on animal welfare by 2025 (by 2026 in Brazil)¹
- Elimination of routine tail docking by 2022¹, and of routine dehorning by 2025¹
- We use shell eggs and egg products in some recipes. We have eliminated caged systems sourcing in the EU at end of 2021, and are committed to do the same at global level by end 2025 (global status 2021: cage-free shell eggs 100%, cage-free egg products 97%)



JUDITH ARMSTRONG

Lactalis Farm Supply Manager

UNITED KINGDOM

What is the good balance between global and local approach to animal welfare?

Animals should of course deserve the same welfare everywhere, therefore Lactalis pushes for a convergence of standards. But farming systems and environmental conditions can vary a lot between countries. In the UK, and especially in Scotland where I work, climate is cold and wet, and in the winter cows cannot be kept outside. So we need to make sure that, when in the barn, they can still express their normal behaviours and are comfortable. We check cleanliness, good bedding materials, adequate space and feed.

¹ Ambitions apply to operations related to the direct volumes of raw milk (from cows) collected by Lactalis in 8 Pilot countries: Australia, Belgium, Brazil (Lactalis Do Brazil branch), France, Italy, Spain, United Kingdom and the USA (Lactalis American Group and Stonyfield branches). These direct volumes represent 45% of total annual volume of raw milk collected by Lactalis (around 9.8 billion liters. 2021 figures).

Stabilizing climate, sheltering biodiversity & livelihoods: the vital role of forests

Because we produce food and beverages, we rely on agricultural supply chains. Yet we know untraceable raw materials can be linked to deforestation and land use conversion. Lactalis may be exposed, either directly, or indirectly through our suppliers or our partnering farmers. At Lactalis, we recognize the role of forests in maintaining water and soil cycles, carbon sinks, biodiversity and livelihoods for local communities. Thus, our Biodiversity & Forest Footprint Committee has mapped our most risky inputs and initiated policies and actions on them, with scientific and NGO partners.



For the palm oil and derivatives we use in our processing activities, we have built a roadmap to shift our volumes towards RSPO certification (Roundtable for Sustainable Palm Oil). It guarantees no deforestation, preservation of peats, but also protects labour & human rights while ensuring decent living wages for plantation workers. Paper and cardboard represent 54% of our Group packaging volumes (2019), mostly from recycled sources. Some utilizations will still need to be made with virgin materials notably for food safety reasons. We plan to have all these remaining volumes sustainably certified¹ (2019: 81%²).

Addressing deforestation – conversion through animal feed is a more challenging topic. Our first step is to map our real exposure to risks. End of 2021, Lactalis entered into a partnership with the Earthworm Foundation to work on it. We have created an assessment tool to estimate soy and palm derivatives volumes used in feed rations over eleven of our biggest milk collection countries. With the NGO, we are analyzing these results through the so-called TRASE tool, measuring traceability rates. Our levers? Raising farmers' awareness and encouraging them to increase feed autonomy. We also call feed suppliers to embark with us for a market shift to more traceable and sustainable feed supply chains.

COMMITMENTS

- 100%** of the palm oil and derivatives we purchase in Europe and SANULAC will be RSPO Segregated certified by end 2023³ (Status 2021: 29.6%)
- 100%** of the palm oil and derivatives we purchase will be RSPO Mass Balance or Segregated certified by end 2025³ (Status 2021: 53%)
- 100%** of the palm oil and derivatives we purchase will be traceable up to the mill by end 2025³
- 100%** of our direct milk volumes will have on-farm assessment on the volumes and origins of palm oil and soy (and derivatives) used in feed, by 2025 (by 2026 in Brazil)⁴

1 Ambition set at Lactalis Group level. All acquisitions since December 2019 excluded at this stage.
 2 On a set of 23 countries accounting for 85% of Lactalis Group turnover in 2019. All acquisitions since December 2019 excluded at this stage.
 3 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.
 4 Ambitions apply to our operations related to the direct volumes of raw milk (from cows) collected by Lactalis in 8 Pilot countries: Australia, Belgium, Brazil (Lactalis Do Brazil branch), France, Italy, Spain, United Kingdom and the USA (Lactalis American Group and Stonyfield branches). These direct volumes represent 45% of total annual volume of raw milk collected by Lactalis (around 9.8 billion liters. 2021 figures).

Providing our employees with a working environment that encourages personal development

Our employees are essential stakeholders in our transition towards more sustainable food production models. Allowing them to grow in a pleasant working environment, developing their skills, is an important factor of commitment in this collective adventure. Transmission of expertise also contributes to the preservation and sharing of the world's dairy cultures, a central axis of our corporate mission.



Lactalis is also committed to offering its employees a pleasant, inclusive and supportive working environment, because diversity is part of its DNA. There are many initiatives: the “DuoDay” in France, allowing employees to show their job to a disabled person, the “StarT Program” in Spain to facilitate the integration of new employees, the organization of solidarity operations with the DansepourDemain (Dance4Tomorrow) event by Lactalis Canada in favor of the Kids Help Phone platform supporting the mental health of young people, or by offering our Italian employees the opportunity to participate in Lactalis’ logistical support for the collection of foodstuffs for local food banks (Fondazione Banco Alimentare Onlus).

In 2021, the Group pursued the international roll-out of its employer brand, the #LactalisExperience. It is built on three pillars, driven by the values of commitment, ambition and simplicity. Firstly, it means helping to write the History of a family adventure throughout the world, based on a management style that favours empowerment and a culture of proximity; almost 95%¹ of our leadership positions are recruited locally, for an action as close as possible to the field and to our stakeholders. And more than 75%¹ of these positions are filled through internal promotion, demonstrating the company’s investment in its human capital.

Secondly, it also means living a shared passion for essential products and strong brands, maintaining the world’s dairy know-hows. Passion for a dynamic and growing sector, the attractiveness of which we help to preserve by offering more than 6,600² professional opportunities to young people aged or under the age of 30. Finally, it is Expertise, transmitted by a community of internal trainers made up of 1,660¹ specialists committed to transmission; in France, for example, 46% of the 2021 training courses were provided by these trainers.



1 2021 Data, perimeter, USA, Canada, Brasil, France, Spain, Italia, Turkey, South Africa, India, Australia
 2 2021 Data, perimeter, Canada, Brasil, France, Spain, Italia, Turkey, South Africa, India, Australia

MICKAËL COTTIN

Group Social Relations Director



What makes social relations at Lactalis so special?

We operate in a specific industrial sector, since the milk collected from our partner farmers is received in a continuous flow, usually 7 days a week, giving the company and its employees their rhythm. However, in this common context, social regulations vary greatly between our different countries of operation. In order to implement homogeneous social relations within the Group, we have therefore created a training course on our approach to social dialogue, the "Lactalis Labour and Employees Relations Way", which we are rolling out to our local contacts identified by their HR managers. We encourage continuous, simple and close dialogue with employee and union representatives. By 2021, 69%¹ of those identified have been trained in this way.

How is this diversity of countries an opportunity?

In terms of "Well-being at work" the Group's global and local approach is relevant because it ensures that the national Quality of Life at Work policy is in line with the expectations of our local employees. Cultural sensitivities play an important role in this area. But we also believe that a Group approach and certain social innovations that have proved successful in one or more countries should be shared or even replicated in other regions. The Group's size is a strength. We therefore intend to initiate this survey and analysis on a larger scale in 2022 and 2023.

JEAN-BAPTISTE VALLÉE

Group Human Resources Development Director

Training is a central axis of Lactalis' HR policy. How have you adapted it to the Covid-19 pandemic?

We have accelerated the deployment of our digital training platform, the "Learning Factory". By 2021, nearly 10,700 employees from 77 different countries have logged on, completing more than 28,600 hours of training! The 147 training modules made available to learners, some of them in six languages, cover our key topics such as dairy technology, milk collection, supply chain, and quality and hygiene. But we also invest a lot in "physical" and structuring programs. We welcomed the first class of our CFA (apprentice training centre) in Laval in October, offering a "Sector Manager" course. In the summer of 2022, we will launch an "Industrial Expert" course. In total, by 2022, nearly 80 students will benefit from the expertise of 35 internal

trainers. This is an asset for our policy of developing young talent.

Lactalis has launched a large-scale engagement survey in 2021. What are the learnings from this?

We surveyed over 46,500 employees in 26 countries, with a high participation rate of 82%. Today, our engagement rate is 65%, in line with that of international groups of the same size. We want to give it a new impetus. This diagnosis gives us the starting point for implementing action plans on commitment and attractiveness. Lactalis is positioning human capital at the heart of its strategic project.



A 360° approach to Safety

Within the Lactalis Group, preserving the health and ensuring the safety of our employees and our local partners is a prerequisite for all our activities. In addition, ensuring the continuity of our facilities and activities is a strong priority which is also a key issue for the communities in which we operate. But maintaining the sustainability of our activities also goes beyond that: cultivating integrity and fair practices internally and in our relations with our stakeholders contributes to the objectives of the United Nations Global Compact on combating corruption in all its forms.

-2.4%

is the decrease in the frequency rate of accidents with lost time for employees (TF1), recorded in 2021 compared to 2020.

-16.3%

is the decrease in the frequency rate of accidents with and without lost time for employees (TF2), recorded in 2021 compared to 2020.



A strong culture of health and safety for our employees and operations

In 2021, the on-going Covid-19 pandemic required additional safety measures to provide a safe working environment for our employees. The Group's Health and Safety Policy was renewed in 2021, and gradually rolled out to the countries where Lactalis operates. It is built around the following vision: "No job is ever so urgent or important not to take the time to do it safely". Regular audits ensure that actions aimed at complying with local regulations and Lactalis' standards are properly implemented. One of the main objectives of the Health and Safety Roadmap 2025 is to achieve an annual reduction of between -10% and -20% in TF2 employees and temporary workers. The Group has also set itself the target of zero work-related accidents and zero work-related illnesses. In 2021, the continuation of the Covid-19 pandemic has required the maintenance of preventive measures that adapt to the different waves of the epidemic, to keep protecting the health of our employees and ensure the continuity of our activities. The Group's Health and Safety policy was renewed in 2021. It now states the Group's ambition to achieve zero work-related accidents and zero work-related

illnesses, with a clear Health and Safety mantra: "No job is ever so urgent or important not to take the time to do it safely". In line with this new policy, a Health and Safety Roadmap for 2025 has been drawn up with the objective to reduce the TF2 for employees and temporary workers by at least 15% per year. This roadmap is gradually being rolled out to the various Lactalis subsidiaries. Regular audits by the Group ensure that the actions taken to comply with local regulations and with Lactalis' standards for Health and Safety of People and Safety of Goods are properly implemented.

Promoting fair practices

Within the Legal Affairs of the Lactalis Group, Compliance is responsible for developing a culture of trust and integrity a central axis for building a responsible value chain.

GÉRALDINE CHEVALLIER

Group Compliance Legal Manager



As a major player in the dairy industry, the Group has an important responsibility in conducting business properly. In addition to complying with local and international regulations, the Group has set up compliance programs and good practices relating to fair practices, the prevention of corruption, the protection of personal data, and the prevention of anti-competitive practices. They are disseminated to employees through regular training and awareness-raising sessions, particularly digital ones, and implemented through the network of legal experts in the subsidiaries. We are also finalizing the launch, in 2022, of an alert line that will enable us to handle, in strict confidentiality thanks to a secured tool, any report of possible violations of good practices, of the Group's internal procedures and rules, or applicable laws.

14,374

is the number of digital training sessions attended by 8,635 employees worldwide since the opening of the various Compliance modules in 2020 (anti-corruption, Personal Data and Competition).

Promoting rural development and the structuring of our dairy sector

According to the FAO, dairy is the third most produced agricultural raw material in the world, in nearly 150 million farms. The dairy sector also generates nearly 240 million direct and indirect jobs¹, mostly in rural areas. As such, these activities promote the social and economic dynamism of local communities.

With nearly 22 billion liters of raw milk collected in 49 countries, the Lactalis Group is now the third largest milk collector in the world. Our nearly 460,000 partnering farmers have very different production models, making it necessary to provide technical support adapted to each type of operation. We therefore promote a direct collection relationship, with a long-term approach based on continuous improvement of milk quality, economic efficiency and environmental performance. Our technicians' advice and training sessions in the field contribute to the creation of value for our partnering farmers. To support and structure the dairy production in rural areas exposed to remoteness and logistical challenges, we have also developed a network of over 650 Milk Collection Centers between producers and our processing sites. The territorial anchorage of our activities is a strength in keeping rural areas alive and dynamic.

460,000
Lactalis partnering
farmers worldwide

3rd
largest milk collector
in the world



NANASAHEB HIGNE

Dairy farmer, Rahata
(Maharashtra, India)

I started dairy farming eight years ago with one cow. I have eleven cows today. In addition, I grow some vegetables and I sell it on the market. Last year, a friend advised me to deliver my milk to the Lactalis collection center in Rahata because he was getting a good milk price. So I left my cooperative, and now I deliver 70 liters of milk twice a day by bike to the center, 3 kilometers away. I keep some of the milk for my family consumption; we are six at home. Since then, I have had the opportunity to increase my volumes and stabilize my income, which has allowed me to enroll my children in the best local school. I talk to others about the economic benefits of dairy farming, especially to young farmers who might want to get into it. The sector is promising!



PRASANNA PROMOD DESHPANDE

Chilling center
Junior executive, Shirampur
(Maharashtra, India)

We opened our collection center in 2015, 2 kilometers from our Lactalis plant. I am responsible for analyzing the quality of the milk delivered twice a day from nearly 1,200 farmers. We face a logistical challenge combined with power outages. Our partners are usually young farmers, delivering an average of 10 liters per day, interested in our outlets and a quick payment of the milk. We work with them to develop yields and optimize production costs, in particular by raising awareness on the importance of working on the genetics of the herd or the management of fodder.

¹ The Dairy Declaration of Rotterdam, "The Global Dairy Sector: Facts 2019"



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