

United Nations Global Compact Communication on Progress by Milcobel October 2022



COMMUNICATION
ON PROGRESS



This is our **Communication on Progress** in implementing the Ten Principles of the **United Nations Global Compact** and supporting broader UN goals.

We welcome feedback on its contents.

Milcobel supports the Global Compact Principles



Milcobel has been an active supporter of the United Nations Global Compact since 2008, and hereby confirms that we are renewing our commitment to the Global Compact's Ten Principles on human rights, labour, environment and anti-corruption.

We are guided by our Purpose:

“Cooperative Entrepreneurship in harmony with society”.

The **cooperative** model is Milcobel's foundation. Cooperation, dialogue and respect between farmer and producer, bridging the gap between farmer and society is key to the way we conduct business.

Entrepreneurship is what distinguishes our farmers, who attach importance to initiative and sound business management of their dairy farms. Moreover, it is an attitude which we encourage also amongst our employees, inviting them to speak up and bring ideas to the table to improve the company, its efficiency and its operations.

Harmonious entrepreneurship in which farmer, producer, customer, consumer and society come together and interact.

Not only the environment and the surroundings play an important role, but also the **people and the society** within which Milcobel operates. We are driven by a strong customer focus, which goes hand in hand with employee satisfaction and wellbeing. We commit 100% to collaboration, connection and dialogue with all relevant stakeholders.

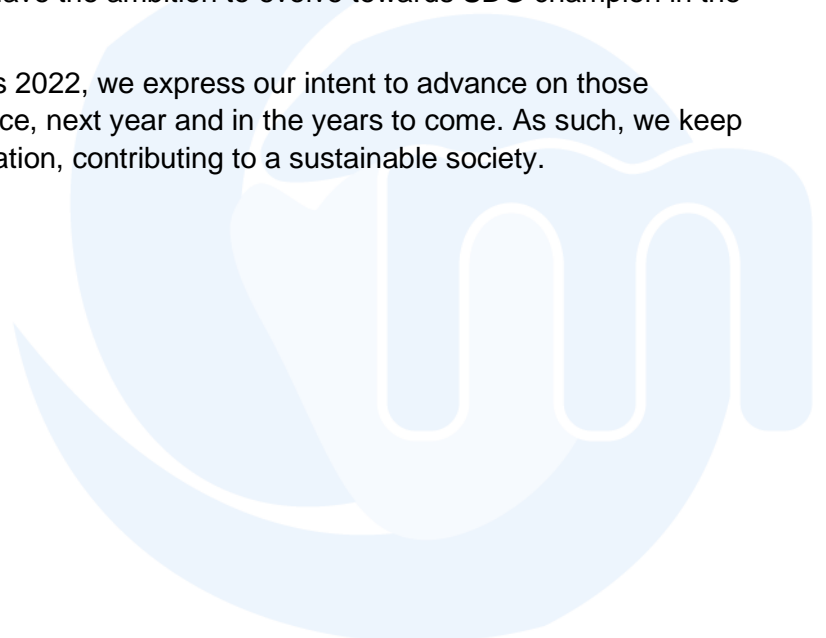
Since 2020, we have been on a journey towards integrating sustainability into our daily business operations, starting with defining our sustainability vision and strategy, followed by setting our key ambitions, and then diving into developing targets for the short, mid and long term. This program is still and will remain evolving further.

Milcobel confirms its continued support to the Agenda 2030 for Sustainable Development and the 17 SDG's. Our efforts in this domain are measured on an annual basis by means of the VOKA Charter for sustainable entrepreneurship, which has been awarded again in 2021 to all our production plants. We are also proud to have been recognized as SDG Pioneer by Unitar for our Belgian production sites and have the ambition to evolve towards SDG champion in the near term.

With this Communication on Progress 2022, we express our intent to advance on those principles within our sphere of influence, next year and in the years to come. As such, we keep evolving and developing as a cooperation, contributing to a sustainable society.

Sincerely,

Nils van Dam
CEO Milcobel



HUMAN RIGHTS

Principle 1 – Businesses should support and respect the protection of internationally proclaimed human rights and

Principle 2 - make sure that they are not complicit in human rights abuses

Milcobel Commitment

All forms of human rights abuse are strictly forbidden in all parts of the organization.

In addition to following all UN approved human rights, Milcobel adheres to all Belgian and European laws and regulation ensuring health and work safety of all of its employees. More details on our work-related safety can be found in our internal policy documents.

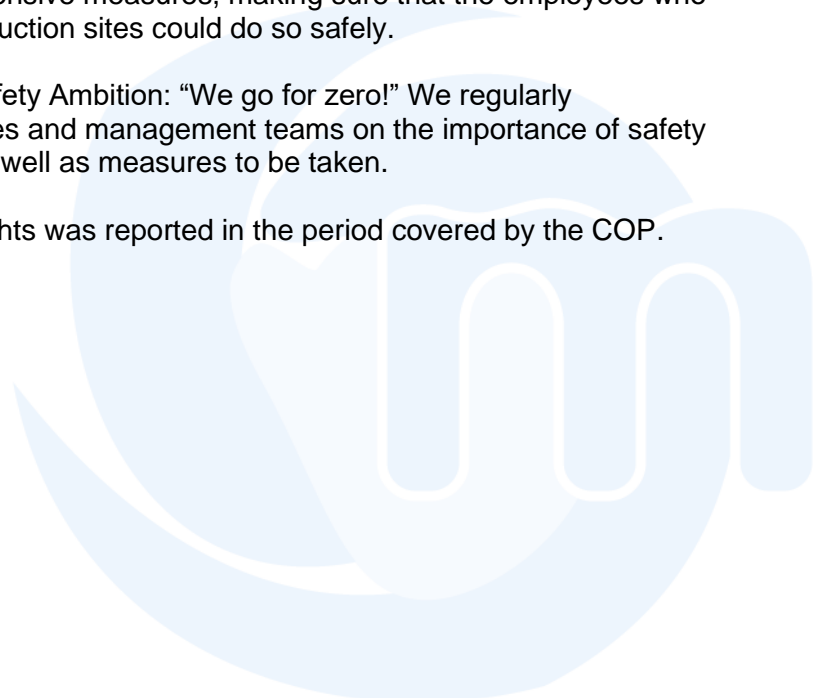
New this year is the code of conduct for our suppliers, which has been developed and will be communicated to our suppliers still this year.

With the upcoming CSDD and CSRD regulation in mind, we started a pilot with the Belgian food sector federation to develop a method a practical and result based due diligence tool. The upcoming months we will start to gather information about our supplier and conduct a first supplier assessment, based on environment and human rights.

This will be the start of the due diligence process towards our suppliers.

Main implementation and outcomes:

- Every employee working in the company is insured and paid adequately, and overtime work is compensated every month according to contracts.
- Health & Wellbeing: Milcobel attaches a lot of importance to the physical and mental wellbeing of its employees. We wish for them to thrive in a safe working environment, to come to work with pleasure and to feel good. In 2020, we appointed a wellbeing manager, and in 2021 we started the implementation of a series of wellbeing initiatives to improve mental as well as physical health.
- Occupational healthcare is organized. Employees have access to doctor's services and have the opportunity to get counselling by caretakers for mental wellbeing in case needed. During the COVID-19 pandemic, we had a very thorough internal tracking system, and we took very extensive measures, making sure that the employees who continued working in our production sites could do so safely.
- We launched our Milcobel Safety Ambition: "We go for zero!" We regularly communicate to our employees and management teams on the importance of safety and the status of incidents as well as measures to be taken.
- No claim regarding human rights was reported in the period covered by the COP.



LABOUR

Principle 3 – Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining

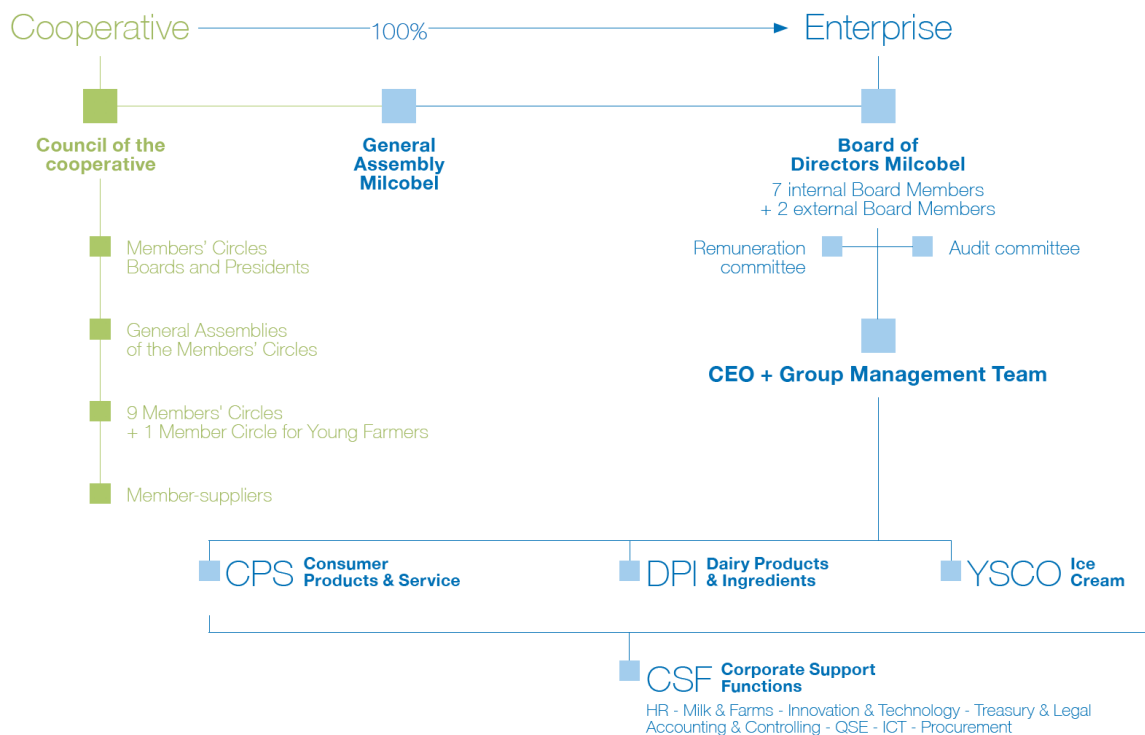
Principle 4 – the elimination of all forms of forced and compulsory labour

Principle 5 – the effective abolition of child labour; and

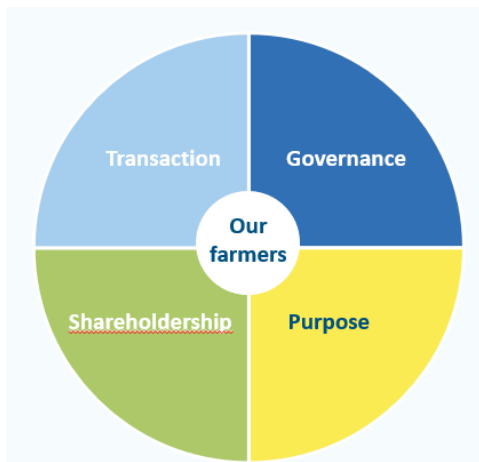
Principle 6 – the elimination of discrimination in respect of employment and occupation

Milcobel Commitment

Milcobel is a cooperative, which is based on respect, cooperation, dialogue and joint decision making. We have a unique business model, consisting of the cooperative structures in which our member dairy farmers are organized on one hand, and our enterprise on the other. Our member dairy farmers are associated into 9 regional member circles and a Circle of Young Farmers, who regularly gather, and are represented by the Cooperative Council, which is elected by the members. The Cooperative Council interacts on regular basis with the Board of directors of Milcobel and with the Milcobel management team.



Our relationship with our 2000-member dairy farmers is fourfold:



- **Transactional:** the delivery and purchase of milk. We strive for sustainable sales of our milk in Belgium, Europe and the world. We guarantee milk collection at a competitive milk price for our member dairy farmers. We build long-term relationships.
- **Shareholding:** our dairy farmers not only deliver the milk; they also are shareholders in the cooperative. Our created added value flows back to the dairy farmers.
- **Governance:** Joint management of the cooperative, based on a strong commitment, participation and dialogue with our dairy farmers.
- **Purpose:** sharing a common goal. Together, with respect for the individual and each other, valorising our milk in a sustainable way.

Our Core Values

 Make it happen	 Integrity	 Loyalty	 Knowledge & know-how
<p>We always strive to do better. That is why we communicate openly with each other. Showing ambition, pushing the boundaries, overcoming challenges and staying on the course we planned. Being ambitious means leading the way.</p>	<p>Integrity is about being honest with yourself and with others. It's about being transparent, also about things that might be less comfortable to hear or say. Do what you say, and say what you do. Integrity, ethics and fairness. Integrity requires courage.</p>	<p>It is crucial to stay loyal to policy, standards, procedures and agreements within our organisation. Putting the collective interest above the individual interest. Togetherness, professional courtesy and teamwork. Being a member of a cooperative calls for loyalty as the quintessential form of honesty towards other members.</p>	<p>We strive for the highest quality in our products and services. Professionalism, competency, performance, customer focus. Being able to guarantee quality shows loyalty towards the customer.</p>

Social Partners / Unions

Milcobel has a formalised commitment to respect our employees' rights to freedom of association and collective bargaining as well as prevent forced labour, child labour and any form of discrimination.

We have voluntarily established a Central Consultative Body at group level. The aim is to improve the communication between employer and employees. This Consultative Body generally meets twice a year. More details are described in the Body's internal rules document.

Solidarity Fund

Employees can freely choose to pay a small annual fee to join the solidarity fund. During the year, we also organize events like the annual Milcobel Run to sponsor that fund. The aim is to provide a limited financial contribution on certain social occasions, such as a marriage, birth of a child, etc.

Due to the energy crisis and strong inflation, Milcobel supports its employees by taking several actions. For example, we provide decent second-hand IT-equipment for children at an economical price.

Non-discrimination policy

Milcobel does not tolerate any discrimination based on age, handicap, origin, gender, ethnicity, political preference, religion or sexual preference. Milcobel offers equal opportunities for applicants and employees with regards to the selection process, recruitment, compensation and in the workplace. Milcobel attaches importance to a stimulating learning and working environment free from any kind of intimidation or unpleasant behaviour, including towards our employees, customers, members and business partners.

There are specific procedures for applicants and employees who are confronted with discrimination, including filing a complaint with an internal confidential adviser or the appointed prevention advisor and / or directly with the competent authorities. Employees who make a formal complaint about discrimination enjoy specific protection from dismissal. The public code of conduct complements this legal procedure for complaints against bullying at work.

Main Implementations and Outcomes

- Monthly meetings with our Cooperation Board
- Two General Consultative Body meetings
- Internships and summer jobs offered to youngsters who wish to gain working experience, in accordance with all applicable laws.
- Solidarity fund supports employees
- No complaints on forced labour, child labour or discrimination on the work floor.

ENVIRONMENT

Principle 7 – Businesses should support a precautionary approach to environmental challenges

Principle 8 – undertake initiatives to promote greater environmental responsibility; and

Principle 9 – encourage the development and diffusion of environmentally friendly technologies

Milcobel Commitment

As one of the main dairy cooperatives in Belgium, we attach great importance to the environment and climate and we work on delivering sustainable dairy products in close collaboration with our customers, dairy farmers, employees and external stakeholders, and with attention to the entire chain. Moreover, we contribute to the preservation of valuable landscape areas and the preservation of meadows and greenery in Belgium.

1. Sustainable dairy farming

Our member dairy farmers are measured annually on their sustainability efforts by means of the IKM Quality certificate, as well as our sustainability monitor. Each farm is given an individual score as well as the benchmark, with the aim to each year improve that score. In 2021, we pay our member dairy farmers a sustainability premium of maximum 0,50 euro/100 liter. The aim is to stimulate our dairy farmers to take steps on the road to sustainability, each of them at their own pace, and according to their own means. Dairy farmers can choose from a very wide variety of sustainability measures. That way, we respect the diversity of our member dairy farms.

We engage in multiple innovation pilots with ILVO, Flanders' research institute for agriculture, fisheries and food, aimed reducing the total greenhouse gas emissions of dairy cattle and improving the longevity of the animals.

2. Sustainable transport

Transport and sustainability are not at odds with each other. With a range of initiatives, we strive to organize our milk collection and distribution chain as energy-efficiently as possible.

3. Sustainable production

Sustainability is also central to our milk processing at all our sites. All our production sites voluntarily participate in the Flemish energy policy agreements (EBO) and in this way commit themselves to take all energy-saving measures that are sufficiently economically viable at the same time. Our factories in Langemark and Kallo have combined heat and power, which provides 90% of the electricity requirement. In 2020, we installed a heat recuperation network in Langemark. All our sites have water purification installations. In Kallo and Langemark, water is further purified up to drink water quality via a state-of-the-art reversed osmosis installation.

Main Implementation and Outcomes

Our production plants

- All of our sites have received the VOKA Charter for Sustainable entrepreneurship, as well as the SDG Pioneer Unitar Certificate. This Charter is based on the 17 SDG's of the United Nations. By fully integrating the SDG's, Milcobel is now running for the SDG Champion level.
- All of our sites voluntarily participate in the Flemish energy policy agreements (EBO)
- Energy efficiency in our production plants was reduced with 26% in a 5-year period
- 48% of water used in the production process is recycled our off milk.
- Total water efficiency consumption was increased by 29% over the last 5 years.
- Sustainable packaging: Milcobel has reduced the amount of plastics, paper and cardboard used in its production process, and focuses on maximizing the use of recycled and recyclable materials. All of this while maintaining attention for food safety and security, and shelf life, in order not to increase waste.

Our farms

- All of our farmers are IKM-certified (IKM = integral Quality Care)
- All farms receive a sustainability index. The goal is to gradually increase the performance of each farm with regards to environmental impact. In 2020, a sustainability premium has been introduced, based on each farm's individual results. This way, we wish to encourage our dairy farmers to continue improving their sustainability efforts, each at their own pace and to their own capacity.
- 91% of our farmers produce their own roughage
- 77 % of our farmers recycle by-products from the food industry as feed
- 62% use alternative water sources
- 40% make use of alternative energy sources

ANTI-CORRUPTION

Principle 10 – Businesses should work against corruption in all its forms, including extortion and bribery

Milcobel Commitment

Code of Conduct: The Milcobel group wants to do business in a responsible and honest manner, which implies that everything we do should be supported by our ethical values, with the maximum respect for all parties involved. More information can be found in the Code of Conduct policy.

As a founding member of the Belgian Global Compact Network, Milcobel is also a member of the Global Compact Program of the United Nations and actively supports the 10 Global Compact principles, which encompass the core values of human rights, working conditions, the environment and anti-corruption. Milcobel demands the same ethical standards from all employees.

The Milcobel Code of Conduct is a clarification of how we expect our employees to work and do business and serves as a guideline for Milcobel employees on how to interact with all possible partners and business contacts. The code of conduct cannot cover every conceivable situation that our employees might encounter, but it does offer a solid guidance on the matter.

The code of conduct is part of the overall work regulations, which means that every new employee is informed on the matter and receives the Code of Conduct upon joining the group.

Main Implementations and Outcomes

- Milcobel has issued a formalised commitment to prevent corruption in all its forms in the Code of Conduct. 100% of employees have signed the Code of Conduct
- All new employees receive a copy of the Code of Conduct upon joining the company and are personally briefed by an HR-representative when joining the company.
- Training on ethical behaviour and the code of conduct is provided to the most vulnerable groups.

COMMITMENT TO THE UN SUSTAINABLE DEVELOPMENT GOALS

Milcobel supports the 2030 Agenda for Sustainable Development, which was approved by the United Nations in September 2015. In our sustainability initiatives, we strive to achieve the maximum of the 17 sustainable development goals of the UN, grouped under five dimensions: Peace, People, Planet, Prosperity and Partnership. Thanks to our cooperative business model, in which we manage the entire chain from dairy farmer to customer, we cover a wide range of sustainability objectives. As a cooperative, Milcobel has great social relevance and offers a balance between economy, society and ecology, throughout the entire chain.

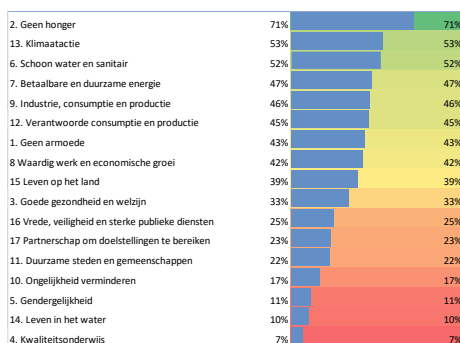
For more than 20 years, Milcobel has been actively participating in sustainability charters, first the West Flanders Environmental Charter; this then evolved into the Flemish Sustainable Enterprise Charter. All our sites are audited every year by VOKA, the Flanders' Chambers of Commerce and Industry. This year again, all Milcobel sites received the annual certificate of the Sustainable Entrepreneurship Charter, a recognition of our efforts and achievements in the field of sustainability, as well as the SDG-Pioneer Unitar Certificate. In October 2022 we will receive the SDG-Champion Unitar Certificate on top.

Examples for all SDG's can be found on our website <https://milcobel.com/corporate-social-responsibility/?lang=en>

PROGRESS ON THE UN SUSTAINABLE DEVELOPMENT GOALS

Milcobel is committed to actively contribute to the achievement of all the SDG's. We are engaged to annually create a sustainability action plan with the SDG's as starting point. Every three years we want to successfully carry out actions that contribute to all 17 SDG's, as is deemed necessary to obtain the Unitar certificate. Of course, some SDGs have priority over others because of the nature of the business we are engaged in, and where we can make the most impact.

We analysed our potential to contribute to the SDG's. This was achieved by an inside out and outside in approach.



As part of the VOKA Charter for sustainable entrepreneurship, we every year define a list of action points for Milcobel corporate or for our sites more specifically. Below, you see an excerpt of the actions we

SDG Action plan 2021-2022

SDG 1 – Zero poverty

- Improving the monthly milk price of our member dairy farmers, by means of a thorough transformation plan running in the entire company

SDG 2 – Zero Hunger

- Actions around the reduction of waste and scrap in our production sites of Kallo, Langemark and Moorslede
- Concrete actions to food safety in all production plants

SDG 3 – Good Health and Wellbeing

- Investing in the mental wellbeing and resilience of our employees with online learning (with partner “Mindlab”) and online workshops
- Investing in physical wellbeing of our employees in a partnership with Gusto Sportivo
- Monitoring of the indoor air quality in common spaces
- Employee survey with resilience barometer

SDG 4 – Quality Education

- Investing in training and development of our employees through the creation of an online learning platform
- Training employees on specific challenges due to the increased digitalization of our hybrid work environment
- Green belt training in Kallo and Argentan
- Introduction of a training officer in Langemark

SDG 6 – Clean Water and Sanitation

- Actions on water balance in Kallo
- Optimization of chemicals usage (DAF) in Langemark
- More than half of process water is obtained from milk

SDG 7 – Affordable and Clean Energy

- Study on energy optimization possibilities for our Kallo site
- Study of the steam net in Kallo
- Cooling of the cream pasteurizers in Kallo
- Switch off heating of rinse water evaporators in Kallo

SDG 8 – Decent Work and Economic Growth

- Self-assessment multi-year safety plan
- Campaigns around Golden Safety rules and Golden Quality rules, with more specific awareness initiatives in various sites
- Workshops with employees on improving internal communication between teams and between management en employees
- Ergonomics initiatives in Kallo and Langemark
- Working on reducing risks where dangerous situations occur

SDG 9 – Industry, Innovation and Infrastructure

- Installing charging poles for electric cars
- Optimization sample plans in Langemark
- Reducing packaging for milk powder (bags and tins)
- Optimized warehousing in Kallo
- Optimization paperless personnel self-planning

SDG 11 – Sustainable cities and communities

- Introduction of a fleet manager in Langemark

SDG 12 – Responsible Consumption and Production

- Mobility study fleet cars
- Shift towards electric fleet initiated
- Publication of the first sustainability report in September 2022

SDG 13 – Climate action

- Started with individual calculation of carbon footprints of member dairy farms through “Klimrek” program
- Study Carbon Farming
- Cooperation with CLAIRE for local carbon offsetting with farmers
- Launch of CO2-neutral Brugge Cheese (cradle to gate)
- Calculation of carbon footprints production plants
- Gap analysis environmental management system

SDG 15 – Life on land

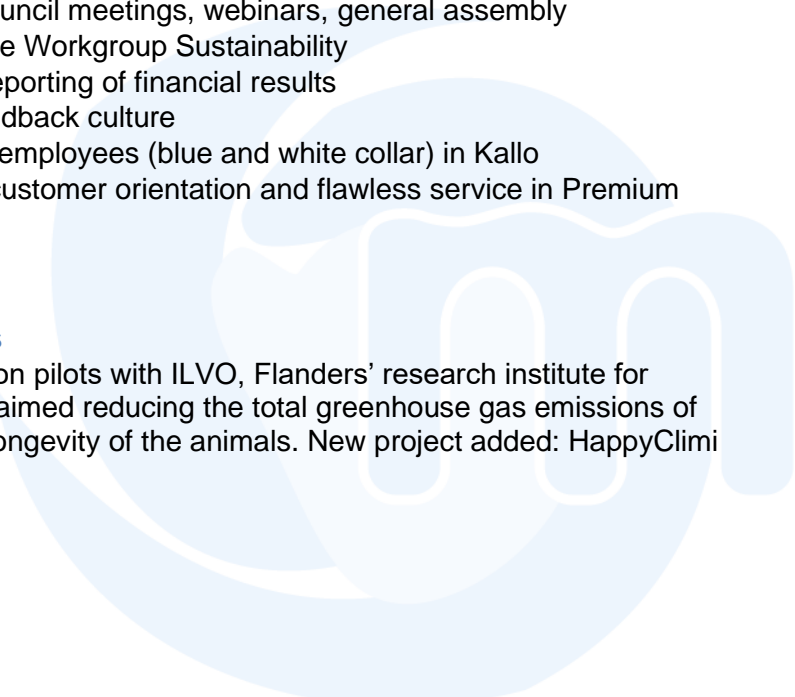
- Measuring the initiatives taken by our member dairy farmers in terms of animal health, animal wellbeing and biodiversity through our sustainability monitor

SDG 16 – Peace, Justice and Strong Institutions

- Development of a corporate sustainability strategy: priority setting and ambition, goals and targets definition initiated
- Sustainability: awareness creation in cooperative workgroup and in enterprise
- Engaging in dialogue with our member dairy farmers, enabling participation through member circles, cooperative council meetings, webinars, general assembly
- Workshops with the Cooperative Workgroup Sustainability
- Clear, timely and transparent reporting of financial results
- Campaign on improving the feedback culture
- Assessment interviews with all employees (blue and white collar) in Kallo
- Connect to Win: campaign on customer orientation and flawless service in Premium Ingredients Business Units
- Teleworking policy developed

SDG 17 – Partnerships for the Goals

- We engage in multiple innovation pilots with ILVO, Flanders’ research institute for agriculture, fisheries and food, aimed reducing the total greenhouse gas emissions of dairy cattle and improving the longevity of the animals. New project added: HappyClimi



Future steps

In 2020, Milcobel started developing a materiality-based Sustainability programme to take our efforts to the next level. We formulated clear ambitions and in 2021 started working on setting goals and defining KPI action plans to further incorporate sustainability into our daily business.

Over the past months, communication on our sustainability efforts has further increased.

Throughout the year, we highlight our successes and projects related to sustainability.

Going forward, under the impetus of our new management, more visibility will be created throughout the company on our strategy, ambition and initiatives related to sustainability. The challenges for upcoming years are significant. By acknowledging EU's ambitions in The Green Deal, but also the needs of our farmers, customers and clients, we want add value in harmony with society.

For questions, contact:

Kathleen De Smedt

Corporate Affairs Milcobel

kathleen.de.smedt@milcobel.com

