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# A MESSAGE FROM OUR PRESIDENT & CEO



Welcome to Lactalis Canada's 2021 ESG – Environmental, Social and Governance – report and thank you for your interest in learning about Our Plan.

This is the second successive year that Lactalis Canada has produced a ESG report that details Our Plan and, as importantly, our progress in building a sustainable future by being a responsible business.

In reality...Our Plan is our roadmap; one that embraces our

key stakeholders...our people, consumers, customers, suppliers, dairy farmers, government and industry partners... to join us on this important journey and to help us make a positive impact on the wellbeing of our communities and the planet, through all that we do.

It's a multi-year transformation plan that we expect will reflect the growth, evolution and innovation, as well as the risks within our business, and allow us to adapt to the

opportunities that social and environmental issues pose. As such, it is critical that Our Plan lives and breathes as part of our core strategy rather than as a mere 'bolt on' to our business and operations.

True to Lactalis' heritage and values, we want our actions and behaviours to be authentic and to support real and meaningful change under three pillars: 1) **People and Communities**; 2) **Authentic Products & Heritage**; and 3) **Land and Resources**.

And while we aspire to achieve ambitious and important goals, we are also realistic and understand that Our Plan will require us to take some smaller but equally important steps in the short term, if we are to build the pathways to longer-term benefits.

Therefore, our focus is on the journey and not simply on the destination. We know where we want to get to and each tangible gain will serve as an important marker as we strive to be better each and every day.

I hope you enjoy learning more about our ambitions as well as the important progress we have made on our journey thus far.

**Mark Taylor**  
President & CEO  
Lactalis Canada

## Welcome from Mark Taylor



# A PERSPECTIVE FROM LACTALIS GROUP



*“A credible and pragmatic CSR policy inspires confidence and enables unity, but also attracts new talent.”*

**Agnès Baudet-Barbezant**  
Group General Manager for Quality and CSR

## Interview with Agnès Baudet-Barbezant, Group General Manager for Quality and CSR

### 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 Chairman. 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 Intergovernmental Panel of Climate Change (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 immediate focus is on 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 commitments. They collected and analyzed nearly 600,000 data to build our collective ambitions. We are proud of this human adventure!

# LACTALIS GROUP



Established in 1933 by André Besnier, Lactalis Group is a family-owned business headquartered in Laval, France. As the world's leading dairy group, Lactalis naturally has unique insight into industry trends and consumer needs. We are of course a global organization, but we are also local and are able to blend these perspectives when developing and implementing policy and process.



\*TURNOVER



# LACTALIS CANADA



With 140 years of brand heritage, Lactalis Canada is committed to enriching and nurturing the lives of Canadians by producing nutritious and great tasting dairy products. The company directly employs 4,000 Canadians, supports hundreds of farming families and contributes to the livelihoods of thousands of Canadians who provide essential services to Lactalis Canada's more than 30 operating sites including 19 manufacturing facilities. The company's iconic brands include Cracker Barrel, Black Diamond, P'tit Québec, Balderson, Cheestrings Ficello, aMOOza!, Astro, siggi's, Stonyfield, IÖGO, IÖGO nanö, Olympic, Lactantia, Beatrice, Galbani, and Président. Lactalis Canada is a subsidiary of Lactalis Group, the world's leading dairy group, headquartered in Laval, France.

**4**  
DIVISIONS

- Fluid
- Cultured
- Cheese and Tablespreads
- Foodservice, Ingredients & Exports

**6**  
CATEGORIES

- Cheese
- Milk
- Yogourt
- Butter
- Dry Products
- Cream

**19**  
PLANTS AND OVER  
30 OPERATING  
SITES

NAMED ON FORBES LIST OF  
CANADA'S BEST EMPLOYERS  
IN 2022



COMMUNITY  
INVESTMENT  
**\$2.9**  
MILLION  
CDN VALUE  
IN 2021

EMPLOYEES  
**4,000+**

**94%**  
OF CANADIAN  
HOUSEHOLDS  
HAVE PURCHASED  
AT LEAST ONE  
LACTALIS PRODUCT\*

**16**  
BRANDS

2021  
MILK COLLECTED  
**2.1 billion**  
LITRES\*\*

2021 VOLUME  
**1,012,000**  
TONNES

\*94 per cent of Canadian households have purchased at least one Lactalis product.  
Source: AC Nielsen, National, Total Outlets, L52wks PE March 27/21 (excludes Ultima brands)  
\*\*Total quantity of milk processed by into dairy products by Lactalis Canada

# OUR PURPOSE

*To Enrich and Nurture the Lives of Canadians*

## OUR VALUES

### AMBITION

- ✓ Performance
- ✓ Continuous Improvement
- ✓ People Development

### ENGAGEMENT

- ✓ Entrepreneurship
- ✓ Tenacity
- ✓ Loyalty

### with SIMPLICITY

- ✓ Accessibility, Modesty
- ✓ Transparency
- ✓ Pragmatism

# OUR CORPORATE GOALS

Achieve Our **BUSINESS GROWTH OBJECTIVES**



Become an **EMPLOYER OF CHOICE**



Create an **EXCEPTIONAL CONSUMER & CUSTOMER EXPERIENCE**



Be the **INNOVATION LEADER**



Increase Pace, Agility & Responsiveness to be the **EASIEST DAIRY COMPANY TO DO BUSINESS WITH**



These goals help support and drive our Environmental, Social & Governance (ESG) roadmap.



# GOVERNANCE

Our Environmental, Social & Governance (ESG) overview outlines Lactalis Canada's commitment to being a sustainable and responsible manufacturer for our key stakeholders – **including our people, consumers, customers, suppliers, dairy farmers, government(s), and industry partners.**

We continuously work to foster and enhance sustainable business practices throughout the organization. Recognized as one of Canada's most trusted consumer brands, our responsibility to building a sustainable future is paramount and we are taking strategic action to improve our footprint across Canada.

Lactalis Canada is a subsidiary of Lactalis Group which has recently established a global ESG Framework with defined pillars and working groups. Lactalis Canada is represented and actively participates in these global working groups.

At Lactalis Canada we have built "Our Plan", our own roadmap which includes initiatives and priorities that are established at the local level but are guided by the overarching Group mandate.

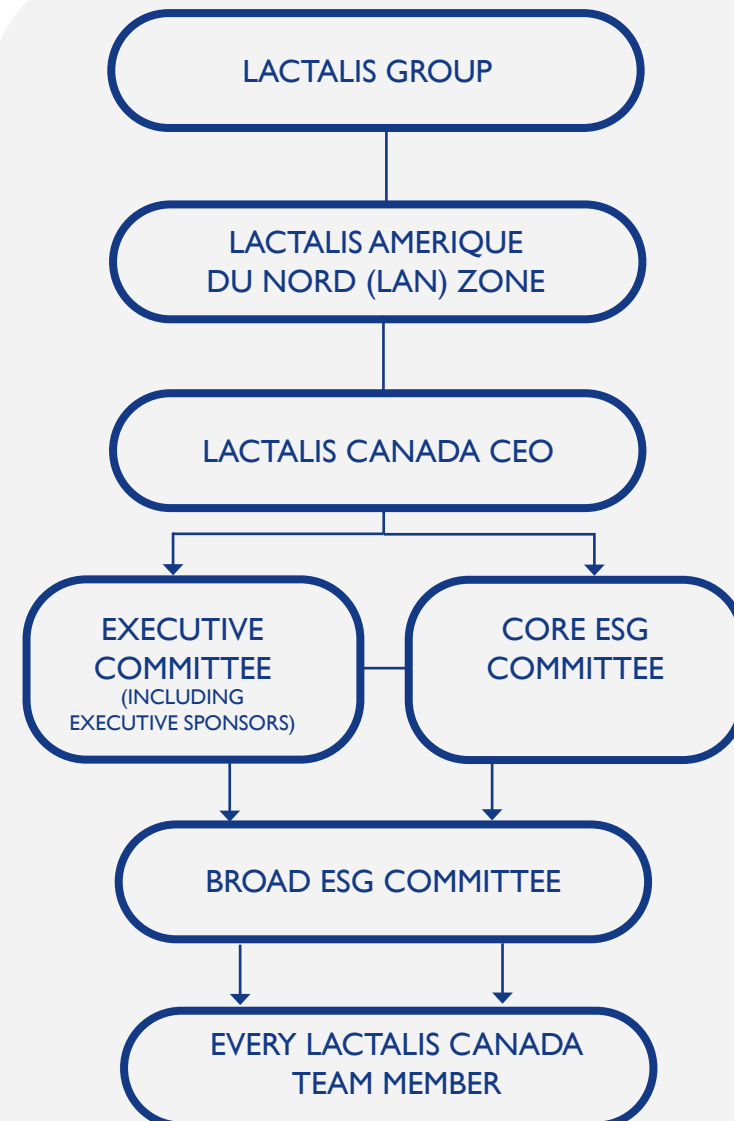
Our ESG Roadmap brings together divisional and department strategies into a shared objective to engage our stakeholders and report performance at the Lactalis Group level.

Lactalis Canada's President & CEO has ultimate accountability. The Executive Committee – which serves as Lactalis Canada's senior leadership team and is responsible for the day-to-day operation of the business – is accountable for the ESG Roadmap in its entirety. This includes ensuring compliance with Lactalis Canada's policies and regulations to help drive behavioural and operational change throughout the organization.

Alongside the Executive Committee, the Core ESG Committee defines, tracks and ensures execution of the ESG Roadmap in conjunction with the Executive Committee and global vision, methodology and structure.

The Broad ESG Committee under the leadership of executive sponsors have oversight of their respective areas, participate in the global working groups and are each responsible for building and defining their respective roadmaps, executing projects and initiatives, and tracking Key Performance Indicators (KPIs) as part of our reporting and governance process.

## OUR GOVERNANCE AND REPORTING STRUCTURE



# OUR APPROACH



## COLLABORATION

Listening to understand, discovering, responding and working with others is a critical part of how we conduct business. Many of our corporate responsibility opportunities and challenges are too large or complex for us to undertake singlehandedly, so it is important we belong to, and work within, a larger ecosystem – which includes partnering and building trust with our people, customers, suppliers, dairy farmers, government(s) and industry partners.

Through collaboration, we mutually benefit by finding solutions, improving our understanding of issues and inspiring change. For example, local food banks across Canada have shown us how we can use our brands and network to support groups of people in need while the Ontario-based Dairy Distillery has helped us understand how we can capture and supply the by-product of unfiltered milk production to help create milk-based vodka, an added value product from what would otherwise be a waste by-product.

## MATERIALITY ASSESSMENT

As a company steeped in a long tradition of dairy innovation, food science and production, we acknowledge our business decisions have implications for all our stakeholders. To assess this impact and inform our strategy, Lactalis Group initiated a methodical review of our value chain at every stage. The materiality assessment was conducted in 2020 across 175 external and internal stakeholders on 33 topics.

The assessment informs our ESG Framework and three key pillars (see p.11): 1) People & Communities; 2) Authentic Products & Heritage; and 3) Land & Resources.



THE MATERIALITY  
ASSESSMENT  
WAS CONDUCTED IN

**2020**



ACROSS

**175+**

EXTERNAL AND INTERNAL  
STAKEHOLDERS

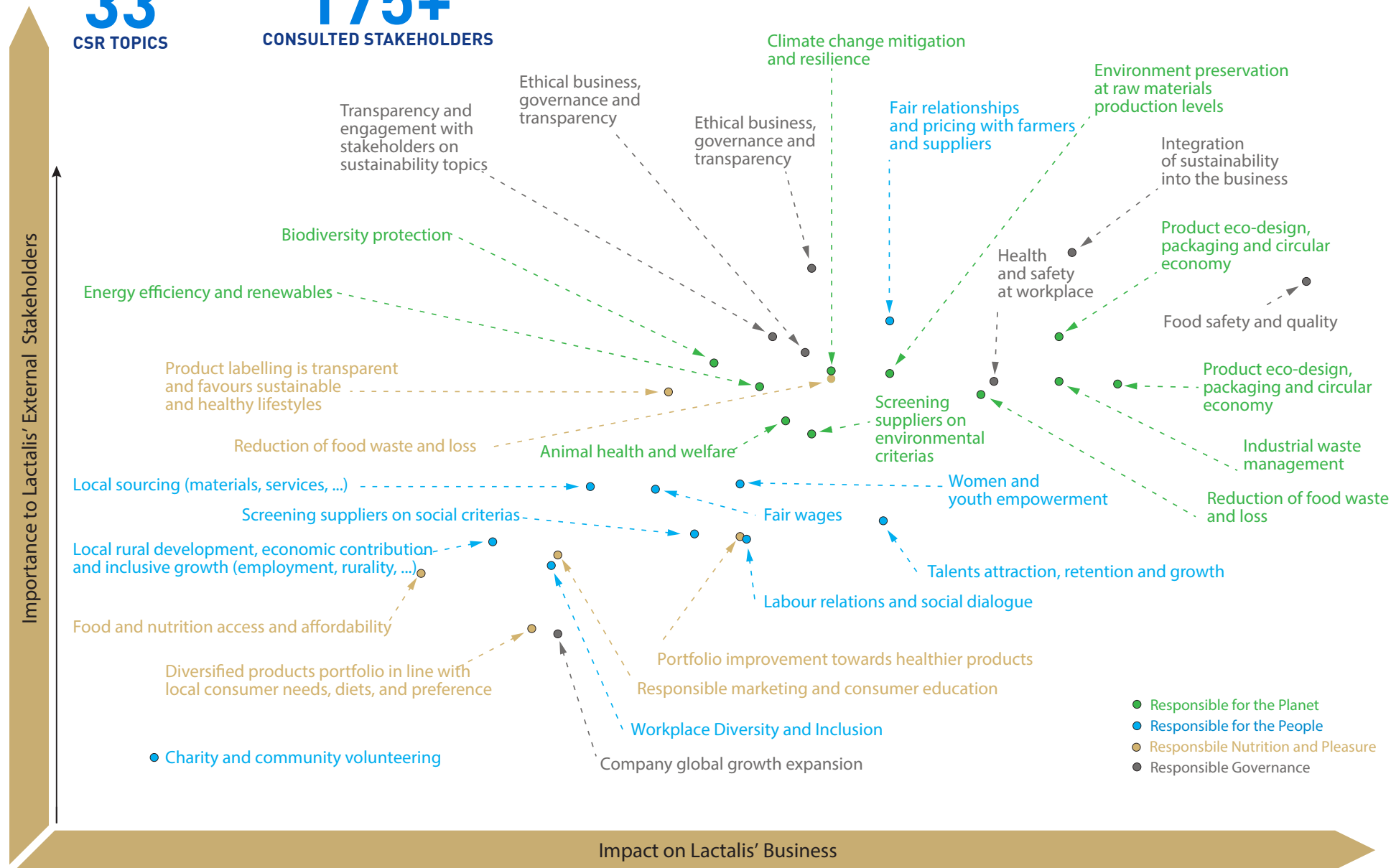


**33**  
TOPICS

# OUR APPROACH

**33**  
CSR TOPICS

**175+**  
CONSULTED STAKEHOLDERS



# OUR FRAMEWORK



## 1 PEOPLE & COMMUNITIES

*Contribute to the economic and social wellbeing of our people and communities.*

PEOPLE	COMMUNITY
Human Resources	Corporate Partnerships
Wellness	Corporate Giving
Health and Safety	Community Relations & Engagement
Diversity, Equity & Inclusion	

## 2 AUTHENTIC PRODUCTS & HERITAGE

*Take pride in our local craftsmanship and global know-how to offer wholesome and nutritious products.*

FOOD SAFETY / INGREDIENTS / NUTRITION
Nutrition
Food Safety & Quality
Milk Supply
Responsible Sourcing

## 3 LAND & RESOURCES

*Act responsibly and sustainably to foster a thriving planet for the future.*

PLANET RESOURCES	CIRCULAR ECONOMY & PACKAGING
Energy & Environment	Packaging
Transport & Logistics	Food Waste
Carbon Footprint	
Animal Health & Welfare	



# OUR 3 PRIORITIES

In 2021, we focused on three main priorities at the Group level based on our consumer & customer expectations.



## ANIMAL WELFARE

*At Lactalis, contributing to animal welfare is not only our responsibility, but also a cornerstone for the sustainability of the company's activities.*

We strive to advance our approach on animal welfare to ensure that animals have a good life, help to improve the performance of our partnering farms, meet the expectations of our stakeholders and preserve the sustainability of our supply chain.



## CLIMATE

*At Lactalis, driving positive change for a low-emissions future is paramount.*

We are committed to contributing to Lactalis Group reduction of scope 1 and 2 emissions by at least 25 per cent by 2025 and at least 50 per cent by 2033.

Pathways to Dairy Net Zero: Lactalis Group has made a commitment to Pathways to Dairy Net Zero, an initiative to accelerate action on climate change and help reduce the global dairy sector's impact on the planet. Learn more [here](#).



## CIRCULAR ECONOMY & PACKAGING

*At Lactalis, the right packaging takes care of our dairy products, our consumers and the environment.*

1. The Right packaging: Minimize intensity & Maximize eco-design
2. Better Circularity: Supporting local recycling
3. Educate consumers and contribute to close the loop

# ENGAGING ON A GLOBAL SCALE



## WE SUPPORT



### UN GLOBAL COMPACT

Our business is part of an ecosystem of activities and we believe that external collaboration is key to innovating towards our targets. We also understand the value of a global perspective in dealing with global challenges, which is why we have used the Sustainable Development Goals (SDGs) of the United Nations (UN) Global Compact to inform our ESG Framework and priorities.

While we are directly engaging in activities that support 15 of the 17 SDGs, these goals were originally developed as guidance for countries, not companies. We are proud to announce Lactalis Group's recent participation in the UN Global Compact which will now link the SDG framework to our activities more directly.

# SUSTAINABLE DEVELOPMENT GOALS



# AT A GLANCE: OUR 2021 COMMITMENTS AND PROGRESS

Not Met ✖ In Progress/Ongoing ●●● Achieved ✔ New ★

## PEOPLE & COMMUNITIES

Contribute to the economic and social wellbeing of our people and communities.



## AUTHENTIC PRODUCTS & HERITAGE

Take pride in our local craftsmanship and global know-how to offer wholesome and nutritious products.



## LAND & RESOURCES

Act responsibly and sustainably to foster a thriving planet for the future.



PUTTING OUR PEOPLE FIRST		INVESTING IN OUR COMMUNITIES		FOOD SAFETY AND PRODUCT QUALITY		ANIMAL WELFARE		SIMPLE & NATURAL INGREDIENTS		ENERGY & CARBON		WATER		CIRCULAR ECONOMY & PACKAGING SUSTAINABILITY		
<p>1. Support the health and wellbeing of our people.</p> <ul style="list-style-type: none"> <li>Not Met: Provide and continually increase awareness of our employee wellness programs.</li> <li>Not Met: Enhance our wellness offerings in line with meeting the needs of our employees.</li> <li>Not Met: Provide training and support that specifically enhances mental health awareness and access to resources through programs and community supports.</li> </ul>	<p>3. Build and strengthen a culture that celebrates and leverages the diversity of our workforce and where our people understand their value, feel like they belong, and bring their full, authentic selves to work every day.</p> <ul style="list-style-type: none"> <li>Not Met: Gain a deeper understanding of the demographics of our workforce and where our people's perspectives around our culture of inclusivity.</li> <li>Not Met: Initiate and engage employees across the organization in diversity, equity and inclusion activities and initiatives.</li> <li>Not Met: Bring awareness, celebrate and leverage the diversity and uniqueness of our people.</li> </ul>	<p>1. Build and nurture strong philanthropic partnerships with key organizations, institutions and special interest groups.</p> <ul style="list-style-type: none"> <li>Not Met: Support youth well-being through Lactalis Canada's long-standing corporate philanthropic partnerships.</li> </ul>	<p>2. Generate consumer goodwill and awareness through Lactalis Canada's iconic brands.</p> <ul style="list-style-type: none"> <li>Not Met: Leverage Lactalis Canada's brands "for good" to enhance consumer awareness and brand affinity.</li> </ul>	<p>1. Uphold the highest commitment to the principle that safe food is a basic human right, enshrined in International Food Standards, published through the World Health Organization and the United Nations.</p> <ul style="list-style-type: none"> <li>Achieved: The Global Food Safety Initiative (GFSI) certification of Lactalis Canada serves as the benchmarking of our food safety and product quality systems to the World Health Organization's International Food Standards. Our objective is to always demonstrate compliance to these standards.</li> <li>Achieved: Support a comprehensive and effective food recall system that is regularly tested to ensure Lactalis Canada can swiftly remove product from the market if ever required.</li> </ul>	<p>3. Create an exceptional customer and consumer experience by focusing on and listening to those who purchase our products all while delivering value for money.</p> <ul style="list-style-type: none"> <li>Achieved: Reduce consumer claims per million units sold (PPM) on a year-over-year basis.</li> <li>Achieved: Leverage innovation processes to develop and bring to market new products, or make intentional changes to existing products, to meet the evolving needs and preferences of Canadian consumers and generate growth for the company.</li> </ul>	<p>1. Support value chain partners in the prevention of animal cruelty and compliance with government regulations pertaining to animal health and welfare.</p> <ul style="list-style-type: none"> <li>Achieved: Continue to support a strict policy of "Zero Tolerance" related to the mistreatment of farm animals.</li> </ul>	<p>2. As a leader in our industry, Lactalis Canada advocates for the implementation, deployment and reinforcement of ambitious animal welfare standards, phasing out the most problematic practices while implementing the best.</p> <ul style="list-style-type: none"> <li>Not Met: As an active member of the National Farm Animal Care Council (NFAACC), now a division of Animal Health Canada, support the development and adoption of scientifically-informed practices on Canadian dairy farms.</li> </ul>	<p>1. Drive meaningful and measurable reductions in the sugar and salt content of our products.</p> <ul style="list-style-type: none"> <li>Not Met: By 2023: Reduce sugar content by 25 per cent in our remaining retail milkshakes and by five to 10 per cent in our retail flavoured milks.</li> <li>Not Met: By 2026: Implement targeted sodium reductions to achieve Health Canada's voluntary sodium reduction guidelines in cottage cheese, processed cheese, natural and butter, where permitted by product stability and food safety standards.</li> </ul>	<p>4. Promote dairy for its rich nutritional attributes and its responsible and sustainable production practices.</p> <ul style="list-style-type: none"> <li>Not Met: Our commitment is anchored in three key areas of focus:                     <ol style="list-style-type: none"> <li>Be an active partner within the dairy industry to influence decisions and ensure consumers are well informed about the nutritional benefits of dairy through partnerships with key players such as the Canadian Digestive Health Foundation (CDHF)</li> <li>Reinforce, educate and raise awareness of the benefits of dairy with internal and external stakeholders through internal webinars and information as well as external sponsorships.</li> <li>Leverage our brands packaging and communications to support dairy goodness messaging through the launch of dairy products with added functional benefits.</li> </ol> </li> </ul>	<p>1. Drive significant and sustainable changes in our energy and natural gas consumption in Canada, contributing to Lactalis Group's global GHG reduction targets on Scope 1 (direct emissions from owned or controlled sources) and Scope 2 (indirect emissions from the generation of purchased electricity, steam, heating and cooling) emissions of:</p> <ul style="list-style-type: none"> <li>25 per cent by 2025</li> <li>50 per cent by 2033</li> <li>Net zero by 2050</li> </ul> <ul style="list-style-type: none"> <li>Not Met: Through the greater use of renewable energy as well as the implementation of new technologies, Lactalis Canada's will reduce its reliance on electricity in our manufacturing processes.</li> <li>Not Met: In the absence of viable alternatives to natural gas to power our manufacturing plants, our focus is ensuring our facilities operate with the best available equipment, including energy reclaim technologies to help us achieve our emission targets.</li> </ul>	<p>1. Develop and implement systems, tools and processes to continue increasing the efficiency of Lactalis Canada's water usage / production (M3/tons).</p> <ul style="list-style-type: none"> <li>Not Met: Continue increasing efficiency in our water usage/production -m3/ton.</li> </ul>	<p>1. Drive initiatives to continuously reduce our product packaging intensity.</p> <ul style="list-style-type: none"> <li>Not Met: By 2025: We will have reduced packaging intensity to optimize packaging performance with material usage, light-weighting activities wherever possible.</li> <li>Not Met: By 2022: We will have implemented a new eco-design tool to allow for evaluation and scoring of each of our packaging solutions and ensure any modifications move us closer to a circular economy.</li> <li>Not Met: By 2022: We will have assessed all new packaging against the Canadian Plastic Pact's Golden Rules of Packaging Design to ensure circular economy compatibility.</li> </ul>	<p>2B. Drive initiatives to achieve 30 per cent recycled material in our packaging.</p> <ul style="list-style-type: none"> <li>Achieved: By 2022: Determine overall baselines for expanded businesses, including Ultima Foods, in non-food contact packaging.</li> <li>Achieved: By 2022: Identify and prioritize projects for increased recycled content where possible in non-food contact packaging.</li> </ul>	<p>2C. Addressing problematic elements in our packaging by eliminating PVC plastics from all packaging by 2025.</p> <ul style="list-style-type: none"> <li>Not Met: By 2022: Complete the usage identification of polyvinylidene chloride (PVC) in our packaging and identify removal opportunities.</li> </ul>	<p>2A. Reach sustainable certification on 100 per cent of virgin paper used in our packaging by the end of 2023.</p> <ul style="list-style-type: none"> <li>Not Met: By 2022: Achieve certifiable sustainable sourcing for corrugate cardboard and boxboard packaging.</li> <li>Not Met: By 2023: Achieve certifiable sustainable sourcing for labels.</li> </ul>	<p>3. Educate consumers through waste management information contained on all product packaging by 2025.</p> <ul style="list-style-type: none"> <li>Not Met: By 2022: All new product packaging introduced to the market will have clear, on-pack waste management instructions to help inform consumers.</li> <li>Not Met: By 2025: 100 per cent of our product packaging will have clear, on-pack waste management instructions to help inform consumers.</li> </ul>
<p>2. Train and develop our people to promote internal career growth and progression as well as to enhance their overall engagement and Lactalis experience.</p> <ul style="list-style-type: none"> <li>Not Met: Enhance our training and development programs to provide career advancement opportunities that grow and retain our talent.</li> <li>Not Met: Increase our focus on performance with clearly identified objectives and detailed development plans for our people to prepare them for growth.</li> <li>Not Met: Build our talent pipeline to prepare our people and workforce for the future.</li> <li>Not Met: Encourage ongoing feedback and action to create an environment in which our people feel fully engaged.</li> </ul>		<p>3. Foster greener, healthier and empowered communities where our employees live and work.</p> <ul style="list-style-type: none"> <li>Not Met: Build and strengthen positive relationships as a neighbour, partner and employer in our communities across the country.</li> </ul>		<p>2. Drive, achieve and maintain regulatory compliance through the manufacturing and distribution of our products.</p> <ul style="list-style-type: none"> <li>Achieved: Lactalis Canada's manufacturing facilities meet or exceed all federal, provincial, and municipal food safety and quality regulations.</li> <li>Not Met: All Lactalis Canada manufacturing facilities will implement a uniquely Canadian food safety and product quality management system known as Quality System Lactalis Canada (QSL Canada).</li> </ul>	<p>4. Identify, select, and leverage the expertise of strong and committed suppliers, supply chain partners and copackers, working collaboratively to champion food safety, product quality, innovation, and sustainability.</p> <ul style="list-style-type: none"> <li>Not Met: Collaborate and share information with Lactalis quality leaders throughout the world to better position and address emerging issues proactively and effectively.</li> </ul>	<p>2. Drive, achieve and maintain regulatory compliance through the evolution of the Dairy Farmer of Canada's proAction Animal Care Module.</p> <ul style="list-style-type: none"> <li>Not Met: Contribute to global Lactalis Group's Animal Welfare Policy which is aligned to the World Organisation for Animal Health's (OIE) 'Five Freedoms'.</li> <li>Not Met: Support projects and participate in industry initiatives to improve scientific knowledge of animal welfare that lead to new solutions.</li> </ul>	<p>2. Produce simple, nutritious 'clean label' dairy products, eliminating the use of complex ingredients wherever possible.</p> <ul style="list-style-type: none"> <li>Not Met: By Q4 2022: Where present, remove all Yellow # 6 colour and Caramel colour ED 150 from all cocoa blends and fruit preparations.</li> <li>Not Met: By Q4 2022: Establish guidelines for new Product Development Requests (PDRs) directing the use of only simple ingredients where possible and the prohibition of 13 priority ingredients.</li> </ul>	<p>3. Continue to support the development and consumption of organic products and ingredients from local sources in order to serve increasing consumer demand.</p> <ul style="list-style-type: none"> <li>Not Met: By 2025: Triple our organic dairy product volume.</li> <li>Not Met: By 2023: Expand the sourcing of local dairy and non-dairy ingredients into our product offerings.</li> </ul>	<p>2. Reimagine how we transport our products to market to reduce greenhouse gas emissions related to transportation by 30 per cent by 2027 and 60 per cent by 2033.</p> <ul style="list-style-type: none"> <li>Not Met: Identify and implement alternatives to road transportation to the promotion of intermodal transportation solutions.</li> <li>Not Met: Optimize the use of our transportation assets to reduce our greenhouse gas emissions.</li> <li>Not Met: Reduce our gas consumption when using road transportation.</li> </ul>	<p>2A. Reach sustainable certification on 100 per cent of virgin paper used in our packaging by the end of 2023.</p> <ul style="list-style-type: none"> <li>Not Met: By 2022: Achieve certifiable sustainable sourcing for corrugate cardboard and boxboard packaging.</li> <li>Not Met: By 2023: Achieve certifiable sustainable sourcing for labels.</li> </ul>	<p>3. Educate consumers through waste management information contained on all product packaging by 2025.</p> <ul style="list-style-type: none"> <li>Not Met: By 2022: All new product packaging introduced to the market will have clear, on-pack waste management instructions to help inform consumers.</li> <li>Not Met: By 2025: 100 per cent of our product packaging will have clear, on-pack waste management instructions to help inform consumers.</li> </ul>					
<p>HEALTH &amp; SAFETY</p> <p>1. Achieve a safe and healthy workplace.</p> <ul style="list-style-type: none"> <li>Not Met: Reduce Lactalis Canada's All Injury Frequency Rate by 15 per cent year over year.</li> <li>Achieved: By 2025 implement a certifiable and integrated EHS system in Lactalis Canada.</li> </ul> <p>2. Support specific strategies to protect the health and safety of our people during the pandemic.</p> <ul style="list-style-type: none"> <li>Not Met: Develop, introduce and ensure programs policies and tools are in place to protect our people and the communities in which we operate during the pandemic.</li> </ul>																





## PEOPLE & COMMUNITIES

*Contribute to the economic  
and social wellbeing of our  
people and communities.*



# Putting our People First



We strive to be an employer of choice, dedicated to building a culture that supports and nurtures our people and a workplace that is respectful, diverse and inclusive, fueled through competitive compensation, benefits, training, development, and recognition programs and policies.

## OUR COMMITMENTS

- 1 Support the health and wellbeing of our people.
- 2 Train and develop our people to promote internal career growth and progression as well as to enhance their overall engagement and Lactalis experience.
- 3 Build and strengthen a culture that celebrates and leverages the diversity of our workforce.



## WHY WE CARE

People bring their best selves to work every day, helping contribute to our purpose to *Enrich and Nurture the lives of Canadians* when:

- They understand how the work they do brings value to the business and how they can have an impact on our success as a company.
- They feel they truly belong and can bring their full selves to work every day.
- They have opportunities to learn, develop, and grow.
- They feel supported in all areas of managing their overall well-being.
- They feel their voices are heard, their feedback is valued, and the company will use their insights in creating a better work environment and culture in which they and their colleagues can thrive.

## OUR PROGRESS SO FAR

We have made great progress and have implemented many initiatives, programs, and enhancements throughout 2021 which strongly align to our ambition of being an employer of choice. And while we still have much left to accomplish on this journey, we were honoured to be named to the Forbes list of Canada's Best Employers in 2021.

## WHAT'S NEXT

In what remains a very competitive market for talent, our focus must remain on enhancing our ability to attract and retain employees who share a passion for helping drive our business to new heights by fulfilling our purpose to *Enrich and Nurture the lives of Canadians*.

We will continue to foster a diverse, open and inclusive environment that motivates and engages our people and creates an exceptional work experience worthy of each employee's time, talent and commitment.

## Putting our People First

### COMMITMENT #1

*Support the health and wellbeing of our people.*

#### Our Objective

Provide and continually increase awareness of our employee wellness programs.

#### In Progress

...

#### Our Objective

Enhance our wellness offerings in line with meeting the needs of our employees.

#### In Progress

...

#### Our Objective

Provide training and support that specifically enhances mental health awareness and access to resources through programs and community supports.

#### In Progress

...

### OUR PROGRESS SO FAR

The ongoing pandemic and the restrictions it imposed challenged us to identify new and creative means to provide employees with the important information and programs to support their health and wellbeing.

Leveraging online resources, we provided mental health training for company leadership, people managers and employees. We also rolled out webinars on a wide range of topics including financial wellness as well as support tools, to provide salaried employees 24/7 access to doctors through an online portal. Employee registration into our Lifeworks Employee and Family Assistance Program increased by 21 per cent in 2021. This program is a pivotal offering in our overall wellness resources designed to provide employees and their families with access to support, health insights, and counselling.

### ONGOING PROGRAMS AND INITIATIVES

In addition to responding to specific programs to help our employees manage the challenges brought on by the pandemic, we continued to invest in foundational programs including an increased emphasis on destigmatizing mental health in the workplace, training on “retirement readiness” and piloting a Biometric Screening Program at a number of our plants to allow for proactive and early identification of potential health concerns to be managed before becoming serious issues.

### WHAT'S NEXT

We will continue to build awareness and strengthen our wellness offerings in line with supporting the overall health and wellbeing of our people. Given the general trend of an aging workforce, we will also place additional emphasis on ensuring our people have a solid understanding of retirement readiness so they can properly prepare for life after work.

Our ambition is to benchmark our programs and initiatives against the Psychological Health and Safety in the Workplace Assessment and to adopt a best practice approach outlined in the Mental Health National Standard of Care.

This standard provides a comprehensive framework to help organizations of all types guide their current and future efforts in areas such as:

- Productivity
- Financial Performance
- Risk Management
- Organizational Recruitment
- Employee Retention.

## Spotlight

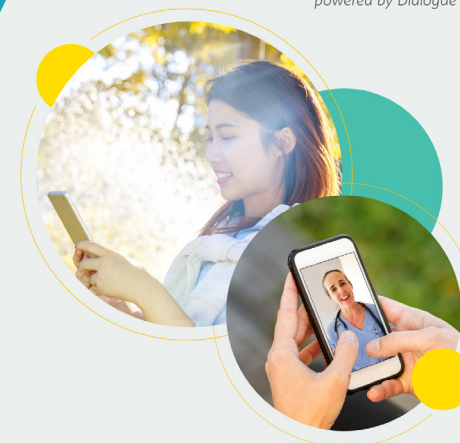
### ACCESS TO VIRTUAL HEALTH SUPPORT

The pandemic challenged us to find innovative ways to provide employees with important information and programs in support of their overall health and wellbeing.

Working closely with our benefits provider, SunLife, we launched Lumino Health Virtual Care, connecting our salaried employees with the healthcare services that meet their needs, including access to healthcare providers 24/7.

#### Lumino Health Virtual Care

powered by Dialogue



An innovative health and wellness solution for your organization

## Putting our People First

### COMMITMENT #2

*Train and develop our people to promote internal career growth and progression as well as to enhance their overall engagement and Lactalis experience.*

#### Our Objective

Enhance our training and development programs to provide career advancement opportunities that grow and retain our talent.

#### In Progress

#### Our Objective

Increase our focus on performance with clearly identified objectives and detailed development plans for our people to prepare them for growth.

#### In Progress

#### Our Objective

Build our talent pipeline to prepare our people and workforce for the future.

#### In Progress

#### Our Objective

Encourage ongoing feedback and action to create an environment in which our people feel fully engaged.

#### In Progress

### OUR PROGRESS SO FAR

To help effectively deliver training and development programs to the organization, we continued the successful roll out and adoption of our two key learning platforms: our local Canadian platform known as Alchemy and our global platform supported by Lactalis Group, Learning Factory (Crossknowledge) which supported 3,000 employee connections, delivered 840 courses and 1,200 hours of virtual training in 2021 alone.

Our focus was also on supporting our manufacturing facility leaders as we launched a pilot of the Strive Toward Excellent Performance Management Training (STEP) program for supervisors within our plants. This program involves participants conducting a pre-assessment of skills development, development planning, training, and post-assessment all focused on continuing to build key competencies for their ongoing growth as leaders.

We continued support of our Management Review Process (succession planning) aimed at identifying successors for positions across the organization to ensure we focus on internal growth and development.

As part of our focus on promoting internal career growth, in 2021, Lactalis Canada achieved an internal promotion rate of 40 per cent for salaried positions.

### ONGOING PROGRAMS AND INITIATIVES

We continued driving initiatives to ensure clear paths for career growth for employees, including the upcoming creation of a Future Leaders Development Program, to accelerate opportunities for the development of our people, ensuring they are prepared to take on leadership positions within the company.

We are developing a robust Campus Management Program for various corporate functions as well as technical roles within our plants. The goal is to identify core schools we will partner with across the country to proactively attract and recruit talent for our business.



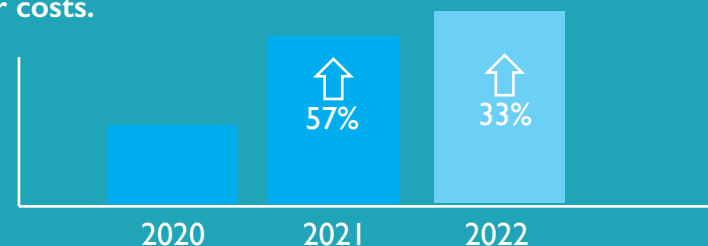
### WHAT'S NEXT

Aligned with Lactalis Group globally, our long-term ambition is to have a training and development budget equivalent to one per cent of our labour cost across Lactalis Canada. This would represent an impactful increase in our training budget from 2022 through to 2024 and allow us to proactively develop programs in support of a wide variety of business needs and to develop our people to take on greater responsibility within the organization.

We strive to provide ongoing feedback mechanisms, including engagement surveys. In 2022 we will roll out the first employee engagement survey since 2016, targeting a 90 per cent participation rate from the entire employee population. Once completed, action planning sessions to better understand what our employees are looking for in order to create an exceptional experience and culture. This will allow us to build site and function specific action plans based on the feedback our employees provide through the survey.

## DID YOU KNOW?

Since 2021, Lactalis Canada has made major investments in helping to achieve our ambition to have a training and development budget equivalent to one per cent of our labour costs.



## Putting our People First

### COMMITMENT #3

*Build and strengthen a culture that celebrates and leverages the diversity of our workforce and where our people understand their value, feel like they belong, and bring their full, authentic selves to work every day.*

#### Our Objective

Gain a deeper understanding of the demographics of our workforce and our people's perspectives around our culture of inclusivity.

#### In Progress

#### Our Objective

Initiate and engage employees across the organization in diversity, equity and inclusion activities and initiatives.

#### In Progress

#### Our Objective

Bring awareness, celebrate and leverage the diversity and uniqueness of our people.

#### In Progress

### OUR PROGRESS SO FAR

With Lactalis Canada's formal efforts around Diversity, Equity and Inclusion (DE&I) in the early stages, 2021 was focused on developing an effective governance structure designed to support meaningful change and ensure successful adoption of Diversity, Equity and Inclusion policies and support programming throughout the company. A key undertaking was the completion of a DE&I survey by 25 per cent of our company's employees across the country. The survey will help guide us to support and invest in this incredibly important area.

An employee led and leadership championed DE&I Council is being formed in 2022 to help guide and support Lactalis Canada's efforts in nurturing a diverse and inclusive culture.

### ONGOING PROGRAMS AND INITIATIVES

We continue to develop and roll out a suite of support and training tools which further our commitment to diversity, equity, and inclusion, and educate our people about how to drive the enhancement of an inclusive culture.

This includes communicating the initial DE&I survey results to all employees and the upcoming launch of introductory online training focused on:

- DE&I Foundations
- Overcoming Bias
- Creating an Inclusive Culture

In addition, we are focusing on the development of inclusive culture workshops for people managers aimed at helping company leaders take tangible steps to build and enhance an inclusive culture for our people.

### WHAT'S NEXT

Our long-term ambition is to have policies and procedures completely free of any potential systemic biases. As with most organizations, this is a long-term commitment. It requires an unwavering commitment and focus to create a workplace where our people feel connected to the commitment we have articulated and that we are making real and meaningful change towards a truly fair and inclusive workplace that fosters belonging for all.

This is not a journey we intend to take on our own. In addition to engaging our people to help make meaningful change, we will seek to partner with specific organizations that will enhance diversity in our workforce for specific demographic groups that are underrepresented compared to the communities in which we operate.

## OUR COMMITMENT TO DIVERSITY EQUITY & INCLUSION



# Health & Safety



No job is ever so urgent or important to not be done safely.

## OUR COMMITMENTS

- 1 Achieve a safe and healthy workplace.
- 2 Support specific strategies to protect the health and safety of our people during the pandemic.

## WHY WE CARE

Lactalis Canada is committed to providing a safe and healthy work environment where all injuries are preventable.

As a major employer, we can make a positive difference, providing employment, training and skills development opportunities. We also use our platform as a global company to influence key stakeholders and drive collective action. We encourage better practices in workplaces globally by supporting health and wellbeing.

## OUR PROGRESS SO FAR

The Health & Safety (H&S) function has created a five-year strategy and roadmap that outlines key focus areas and deliverables to support the company in the development of a safe and healthy workplace. Key elements of the five-year plan include:

- Safety Leadership Development
- Risk and Compliance-Based Improvement Plans
- Resources Allocation Processes

To ensure it is best positioned to deliver on the strategy and five-year roadmap, the H&S function was restructured to, among other things, focus additional support and resources on our manufacturing facilities across the country, including the addition of dedicated full-time H&S advisors at our manufacturing facilities, as well as field support and subject matter expertise through the company's regional H&S business partners.

The H&S team has been conducting baseline assessments of all critical activities for health safety risks to feed into the roadmap prioritization and execution.

## WHAT'S NEXT

Our focus will remain on developing an interdependent safety culture where every individual is in charge of their own health and safety as well as that of their colleagues.



## Health & Safety

### COMMITMENT #1

*Achieve a safe and healthy workplace.*

#### Our Objective

Reduce Lactalis Canada's All Injury Frequency Rate by 15 per cent year over year.

#### Not Met



#### Our Objective

By 2025 implement a certifiable and integrated H&S system in Lactalis Canada.

#### New ✨

### OUR PROGRESS SO FAR

In 2021, we did not meet our target for a reduction in our All Injury Frequency Rate of 15 per cent year over year. As a result, the Health & Safety team has put in place structural and process changes to support the organization and ensure this target can be met in 2022.

In 2021, the Health & Safety (H&S) team created a comprehensive five-year roadmap that defines our priorities through 2025. The roadmap focuses on five key pillars, including:

- Leadership
- Resources
- Risk Management
- Management Systems
- Equipment

A key element in developing the roadmap was the initiation of maturity assessments that identified common areas for improvement and highlighted the strength of the safety culture at each of our manufacturing facilities to allow for effective measurement of progress over the life of the plan. We will now measure our progress through the year 2025 against data collected in the 2021 maturity assessments.

A strategic assessment of the H&S function's structure led to the addition of people resources at both the site and corporate levels to support the successful implementation of the roadmap.

### ONGOING PROGRAMS AND INITIATIVES

An important success factor in helping Lactalis Canada meet its commitment of achieving a safe and healthy workplace will be through the development of safety competencies for frontline employees, while at the same time empowering personal responsibility through the development of safety self-awareness and risk control tools.

Focused capital projects targeted at effective engineering solutions will also play a critical role in our achievement of real and meaningful reductions in our All Injury Frequency Rate.

### WHAT'S NEXT

Executing against our five-year roadmap will remain our priority. In the near term we will:

- Conduct baseline compliance audits and risk assessments for all sites to help prioritize annual improvement plans
- Implement a safety executive committee to provide more visibility to H&S and include more senior leadership involvement with H&S initiatives.

## Spotlight

### HEALTH & SAFETY (H&S)

#### 2025 FIVE KEY PILLARS



## Health & Safety

### COMMITMENT #2

*Support specific strategies to protect the health and safety of our people during the pandemic.*

#### Our Objective

Develop, introduce and ensure programs policies and tools are in place to protect our people and the communities in which we operate during the pandemic.

#### In Progress

...

### OUR PROGRESS SO FAR

Continuous assessment as the COVID-19 pandemic and its impacts evolved through 2021 meant adapting existing programs to follow government guidelines, while seeking to introduce additional measures to ensure our employees and the communities we operate in remained safe. Our efforts throughout the year ensured cases in individual plants were addressed quickly and effectively and did not require Lactalis Canada to temporarily close any of our 30 sites across the country.

A large part of our success to date has been due to the overwhelming commitment of our 4,000 employees across the country who embraced these important measures, contributing to our overall success in minimizing the pandemic's impact on our operations and allowing us to continue to feed the nation.

### ONGOING PROGRAMS AND INITIATIVES

Since the start of the pandemic in 2020, frequent, simple and repetitive communication with employees about company policies and procedures as well as recommendations on how individual employees and their families can reduce their risk of the COVID-19 virus has been a cornerstone of our approach.

As the focus in 2021 moved to vaccine roll out and rapid testing, Lactalis Canada strongly encouraged employee vaccination, organizing clinics at different facilities across the country, as well as using third parties to conduct PCR testing at high-risk sites and implementation of rapid antigen testing to limit the spread of the virus at all our sites.

### WHAT'S NEXT

Like everyone, we remain hopeful that the worst of the pandemic is largely behind us, but the science would tell us that we are not out of the woods yet. So, our focus on minimizing the impact of the pandemic on our employees, their families and the communities in which we operate and in seeking the counsel and support of Canada's health authorities in the decision-making process will continue throughout 2022.

In addition we recognize the importance of lessons learned through 2020-22. Insights gained will be used for contingency planning to help us "future proof" operations and better position us to respond quickly to future events.

## Spotlight

In December 2021, Lactalis Canada partnered with the Province of Ontario to host a GO-VAXX Mobile Vaccination Clinic at our Ingleside plant for employees and their families. Held in a specially converted Metrolinx bus stationed outside the plant, the vaccination drive saw over 160 people receive first, second, third or booster doses of the Pfizer COVID-19 vaccine. Lactalis Canada also partnered with the region of Mauricie et Centre-du-Québec to host a vaccination clinic at our Victoriaville site for employees and their families in September 2021.



# Investing in our Communities



Lactalis Canada together with Township of North Dundas commemorated the Ault Family legacy with a mural unveiling in Winchester, Ontario.

Deliver on Lactalis Canada's purpose of *Enriching and Nurturing the Lives of Canadians* through strategic and impactful community-related activities and programs.

## OUR COMMITMENTS

- 1 Build and nurture strong philanthropic partnerships with key organizations, institutions and special interest groups.
- 2 Generate consumer goodwill and awareness through Lactalis Canada's iconic brands.
- 3 Foster greener, healthier and empowered communities where our employees live and work.



## WHY WE CARE

The communities in which we live and work are the lifeblood of who we are as a company.

With over 30 operating sites located throughout Québec, Ontario, Manitoba, Alberta and British Columbia, Lactalis Canada and its 4,000 employees play an essential role in feeding the nation and in contributing to the social and economic health of those communities.

Through the production of nutritious, high-quality Canadian dairy products as well as our active community involvement, we proudly deliver on our core purpose to *Enrich and Nurture the Lives of Canadians* each and every day.

## OUR PROGRESS SO FAR

Lactalis Canada's community investment in 2021 was valued at over \$2.9 million and was delivered through donations, sponsorships and in-kind contributions to more than 50 charitable organizations and community initiatives across the country, including more than one million litres/kilograms of milk and dairy products alone.

Our decades-long support of Kids Help Phone, Canada's only 24/7 e-mental health service offering free, confidential support to young people in English and French, remains a cornerstone of our commitment to giving back.

## WHAT'S NEXT

As part of our ambition towards profitable and responsible growth, our goal is to continue to build on Lactalis Canada's philanthropic partnerships, brand initiatives and community relations programs that engage our people and key stakeholders and make a positive impact in the communities in which our employees live and work.

## Investing in our Communities

### COMMITMENT #1

*Build and nurture strong philanthropic partnerships with key organizations, institutions and special interest groups.*

#### Our Objective

Support youth well-being through Lactalis Canada's long-standing corporate philanthropic partnerships.

#### In Progress

...

### OUR PROGRESS SO FAR

As a founding sponsor of Kids Help Phone, Lactalis Canada's 33-year partnership has helped enable more than 40 million connections to date to support children and youth in any moment of crisis or need. Our contributions have included:

- In conjunction with the Grocery Foundation, Lactalis Canada plays an active role in the success of the annual *Night to Nurture* fundraising gala.
- An employee-led committee supports various internal and external initiatives to raise awareness and funds for Kids Help Phone.
- Facilitation of a payroll deduction program that allows employees to donate to Kids Help Phone directly from their pay.
- Support for *#ThisIsOurShot* campaign, a grassroots movement to encourage Canadians to get vaccinated, with all proceeds from campaign t-shirt sales going directly to Kids Help Phone.

Lactalis Canada is also a proud and long-standing sponsor of the Grocery Foundation, an organization supported by Canada's grocery retailers, food, beverage and consumer goods brands in support of school breakfast Programs, the annual *Night to Nurture* gala and the *Toonies for Tummies* campaign.

In 2021, the *Toonies for Tummies* campaign funded over three million meals and supported more than 5,000 nutrition programs across Canada, providing the growing number of school-aged children facing food insecurity with nutritious snacks and meals to help them thrive.

### ONGOING PROGRAMS AND INITIATIVES

Lactalis Canada continues to support and foster its corporate philanthropic partnerships through regular participation, support and employee engagement. President & CEO Mark Taylor serves as a board member of the Grocery Foundation and Iven Zanardo, General Manager Foodservice, Ingredients and Export represents the company on the board of Kids Help Phone.

### WHAT'S NEXT

As an active member of the communities in which we live and work, in 2022 we will launch the Lactalis Canada Community Enrichment Fund to support our operating sites in making meaningful impacts at the local level through participation and support of community organizations and programs.

## Spotlight

Lactalis Canada's Granby, Québec team showed off their dance moves in support of the Kids Help Phone Dance+More 4 Tomorrow virtual dance-a-thon in May 2021.



Lactalis Canada is a founding sponsor of Kids Help Phone Canada's only 24/7 e-mental health service offering free, confidential support to young people in English and French.

Kids Help Phone  
Jeunesse, J'écoute



**THE GROCERY  
FOUNDATION**  
GETTING FOOD TO HUNGRY KIDS

## Investing in our Communities

### COMMITMENT #2

Generate consumer goodwill and awareness through Lactalis Canada's iconic brands.

#### Our Objective

Leverage Lactalis Canada's brands "for good" to enhance consumer awareness and brand affinity.

#### In Progress

...

### OUR PROGRESS SO FAR

Lactalis Canada's brands were active in supporting community initiatives throughout 2021, including:

- Donating \$145,000 in Olympic Yogurt products to various food banks and charitable organizations in response to the devastating floods throughout British Columbia in November 2021.
- Partnering with the Grocery Foundation's School Breakfast Program providing our Black Diamond, Cheestrings, Cracker Barrel, Astro, IÖGO and Beatrice products at a reduced cost, helping school-aged children access essential and nutritious breakfast and snack foods to prevent hunger.
- Continuing support in the fight against COVID-19 through various initiatives including the donation of Cracker Barrel Sweet Combo samples and product coupons at Montreal's Circuit Gilles Villeneuve pop-up vaccination clinic in July 2021.

### ONGOING PROGRAMS AND INITIATIVES

Lactalis Canada's brands continue their support of both new and long-standing partnerships that align to their individual brand commitment and promise. Some ongoing partnerships include:

- We have been instrumental in making Kids Help Phone a household name for youth across Canada by promoting the Kids Help Phone logo and phone number on various Astro, Black Diamond, Cheestrings, Lactantia and Beatrice dairy products.
- In July 2021, Lactalis Canada joined Canadian fintech WhatRocks™ Inc. as a founding member and first Canadian partner to empower Canadian consumers with digital currency to support their favourite charities. Since then, WhatRocks-labeled advertising campaigns for Lactalis Canada brands Cracker Barrel, IÖGO and Lactantia PurFiltre were launched.

### WHAT'S NEXT

Lactalis Canada continues to actively seek and identify opportunities to leverage its brands "for good", particularly as it relates to the well-being and health of Canadian consumers.

In 2022, Lactalis Canada's P'tit Québec team will visit a new community in Québec as part of the "P'tits projets pas si P'tits" campaign to empower communities through acts of kindness, while Black Diamond Cheestrings will celebrate 30 years with a fun and engaging social media driven campaign in support of the Grocery Foundation's Toonies for Tummies.

In addition, the return of live events will see Cheestrings and Astro national activations at the annual Kids Help Phone Walk So Kids Can Talk and Lactantia's sponsorship of the International Pee-Wee Hockey Tournament in Québec.

## Spotlight

In September 2021, our P'tit Québec brand kicked off a special initiative aptly named "P'tits projets pas si P'tits" to empower communities across Québec with acts of kindness. The campaign's first stop was the small municipality of Sainte-Rose-du-Nord in the Saguenay-Lac-St-Jean region where our employee volunteers completed a number of meaningful projects aimed at bringing the community together including the installation of a safety railing along the road leading to the local beach and bike rack on the main dock as well as a donation of school supplies to the local elementary school and seniors centre. What's more, the team hosted a special community lunch featuring P'tit Québec products that brought together the entire town, including the local Mayor Laurent Thibeault, in celebration of the day's accomplishments.



## Investing in our Communities

### COMMITMENT #3

*Foster greener, healthier and empowered communities where our employees live and work.*

#### Our Objective

Build and strengthen positive relationships as a neighbour, partner and employer in our communities across the country.

#### In Progress



### OUR PROGRESS SO FAR

Building and strengthening positive relationships as a neighbour, partner and employer in the communities in which we operate means responding to the needs of individual communities through the allocation of both the time and effort of employees as well as through the commitment of financial resources.

In 2021, Lactalis Canada and our employees were active in all of our plant communities, supporting a variety of initiatives, including *World Clean Up Day*, COVID-19 vaccination clinics for employees and their families and through the donation of the equivalent of 4.8 million meals to food banks and food programs across the country. Lactalis Canada also helped British Columbia dairy farmers impacted by the devastating floods through the donation of calf nutrition formula in partnership with Maplevue Agri.

In Winchester, Ontario, Lactalis Canada partnered with the Township of North Dundas to host a community event and unveiling of a specially commissioned

mural, commemorative street sign and renaming of the local arena to honour the legacy of the Ault family and their many contributions to the community and dairy industry. The mural by local artist Carrie Keller depicts Lactalis' deep connection to Winchester – past and present – and showcases some of Lactalis Canada's iconic brands.

### ONGOING PROGRAMS AND INITIATIVES

Our 30 operating sites include 19 manufacturing facilities that span the country and include operations in major metropolitan centres like Toronto and Montreal as well as in rural communities such as Laverlochère, Québec, Mitchell, Ontario and St. Claude, Manitoba. Steeped in our rural identity, we continue to take great pride in seeking ways to make a difference in all the communities in which we live and work.

Lactalis Canada also plays an important role in these rural areas by supporting Canadian farmers and agricultural

communities in creating jobs and economic stability for many families.

### WHAT'S NEXT

As part of Lactalis Canada's commitment to engage employees and build relationships with community stakeholders, Lactalis Canada will be launching a national good neighbour program.

In 2022, the organization will pilot this program in two communities with a tree planting initiative in Winchester, Ontario and the 75<sup>th</sup> anniversary celebration at our manufacturing facility in Victoriaville, Québec.

## Spotlight

Our Winchester, Ontario manufacturing facility has partnered with the David Suzuki Foundation's Butterflyway Project, a volunteer-led initiative that encourages Canadians to create native pollinator gardens in order to help restore vital habitat for bees and butterflies.

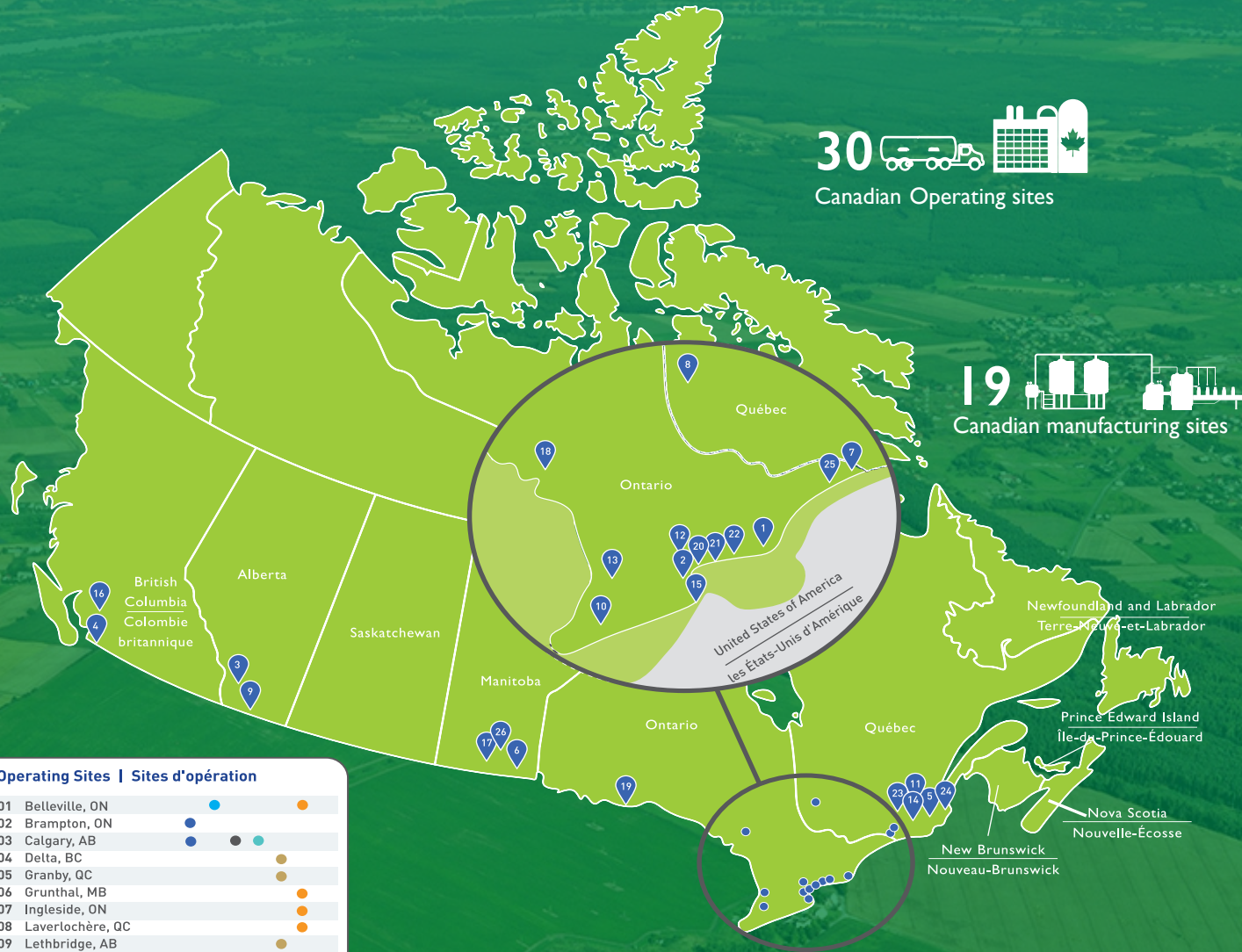
As part of the project's mission, the Winchester team, together with local volunteers from the Butterflyway Project and Naturaide, planted a one-acre wildflower garden stocked full of 15 different native plant species, including black-eyed susan, aster and milkweed, creating a beautiful green space between the plant's industrial area and the town of Winchester that will attract native pollinators.

Click [here](#) for more information on the Butterflyway Project.



# SUPPORTING LOCAL ECONOMIES & RURAL COMMUNITIES

We are steeped in our rural identity and take great pride in supporting the communities in which we live, work and play. Our 30 operating sites that include 19 manufacturing plants span the country and include operations in rural communities such as Ingleside and Mitchell in Ontario, Laverlochère and Granby in Québec and Grunthal and St. Claude in Manitoba. Lactalis Canada plays an important role in these rural areas by supporting Canadian farmers and agricultural communities while creating jobs. These jobs provide economic stability for many families in rural communities across Canada by offering competitive wages, healthcare and dental benefits, as well as short-term disability and long-term disability insurance, retirement and financial savings programs.



Operating Sites   Sites d'opération	
01	Belleville, ON
02	Brampton, ON
03	Calgary, AB
04	Delta, BC
05	Granby, QC
06	Grunthal, MB
07	Ingleside, ON
08	Laverlochère, QC
09	Lethbridge, AB
10	London, ON
11	Longueuil, QC
12	Mississauga, ON
13	Mitchell, ON
14	Montréal, QC
15	Niagara-on-the-Lake, ON
16	Richmond, BC
17	St. Claude, MB
18	Sudbury, ON
19	Thunder Bay, ON
20	Toronto, ON (405 The West Mall)
21	Toronto, ON (Rakely)
22	Trenton, ON
23	Vaudreuil, QC
24	Victoriaville, QC
25	Winchester, ON
26	Winnipeg, MB

**Legend | légende**

- Corporate Offices | Bureaux d'entreprise
- Fluid Plant | Usine de lait et crème
- Distribution Centres | Centres de distribution
- Distribution Centre (Operated by a Third-Party Logistics partner) | Centre de distribution [Exploité par un partenaire logistique tiers]
- Cultured Plant | Usine de produits laitiers de culture
- Cheese Plant | Usine de fromage
- Research and Development | Recherche et développement



## AUTHENTIC PRODUCTS AND HERITAGE

*Take pride in our local  
craftsmanship and global  
know-how to offer  
wholesome and  
nutritious products*



# Food Safety & Product Quality



Our unwavering commitment to food safety and product quality underscores every activity, project and innovation undertaken by Lactalis Canada as a trusted, premier dairy product provider to Canadian consumers and customers.

## OUR COMMITMENTS

- 1 Food safety guarantee.
- 2 Assured regulatory and legal compliance.
- 3 Consumer preference and customer satisfaction.
- 4 Supplier assurance.
- 5 Quality at the best price.



## WHY WE CARE

The World Health Organization recognizes food safety and product quality as the underpinning to achieving sustainability goals and ambitions within the food processing sector.

## OUR PROGRESS SO FAR

Food safety and product quality is the foundation of everything we do at Lactalis Canada. As a major contributor to the dairy sector in Canada, Lactalis provides high quality, safe and wholesome dairy products to Canadians to enjoy every day.

Through our activities in manufacturing top quality, nutritious and wholesome dairy products we have established recognised Canadian brands which are trusted across Canada.

## WHAT'S NEXT

Lactalis Canada is committed to continuing to build our brands as trusted and reliable dairy products for all generations to enjoy. Each year we continue to invest significantly in our facilities, including the acquisition of state-of-the-art technology – processing and filling equipment – with enhanced and improved food safety performance attributes which will allow us to remain a leader in the industry and help propel future growth.

## Food Safety & Product Quality

### COMMITMENT #1

*Uphold the highest commitment to the principle that safe food is a basic human right, enshrined in International Food Standards, published through the World Health Organization and the United Nations.*

#### Our Objective

The Global Food Safety Initiative (GFSI) certification of Lactalis Canada serves as the benchmarking of our food safety and product quality systems to the World Health Organization's International Food Standards. Our objective is to always demonstrate compliance to these standards.

#### Achieved



#### Our Objective

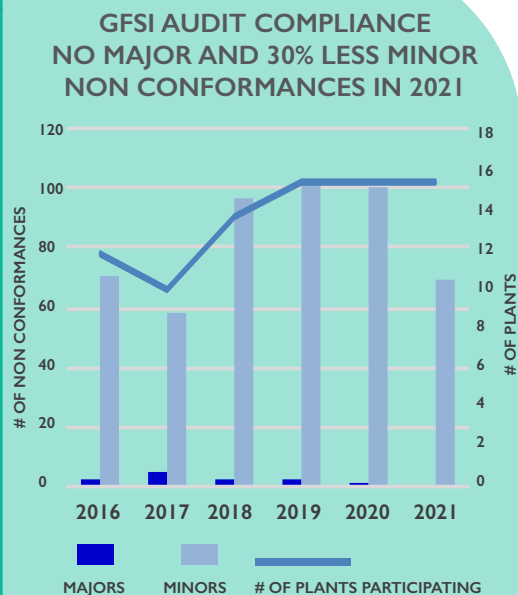
Support a comprehensive and effective food recall system that is regularly tested to ensure Lactalis Canada can swiftly remove product from the market if ever required.

#### Achieved



### OUR PROGRESS SO FAR

Through continuous improvement activities and sustainable corrective action plans and follow up, Lactalis Canada achieved improved GFSI compliance year over year.



### ONGOING PROGRAMS AND INITIATIVES

Starting in 2022, the GFSI Standards include requirements to develop and implement a broad food safety 'culture' to be embedded throughout all facets of Lactalis Canada's operations, not solely in our manufacturing facilities. This will become a key focus for the organization over the next one-to-three years.

Market recoveries, which require the removal and disposal of products from store shelves for non-health or safety-related issues, are disruptive, costly, and wasteful – and do not support our commitment to sustainability. At Lactalis Canada we challenge ourselves daily through continuous improvement strategies to build and support our expertise in dairy product manufacturing. Uncompromising diligence in these activities always leads to improved compliance, improved consumer and customer satisfaction and eliminates any need for market withdrawals

### WHAT'S NEXT

Fundamental to the success of any food safety system is the establishment and maintenance of a positive food safety

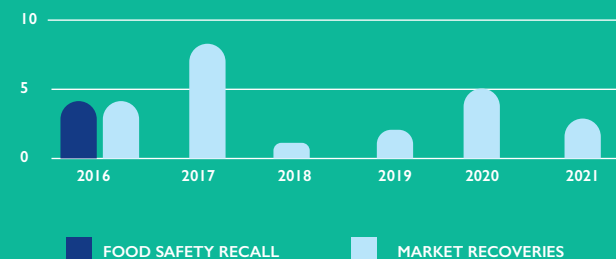
culture that acknowledges the importance of human behaviour in ensuring the safety and quality of the foods we produce.

As part of our focus to ensure the adoption of a holistic food safety culture throughout the organization we will look to embrace the following:

1. Commitment by management and all employees to the production and handling of safe food.
2. Leadership that sets direction and engages employees in food safety practices.
3. Awareness of the importance of food hygiene by all employees.
4. Open, clear, and consistent communication among all employees, including expectations and deviations.
5. Availability of sufficient and adequate resources to ensure the effective functioning of the food hygiene system.
6. Training to support these goals.

Once our products are in the market, they serve as ambassadors and physical testimony to our food safety and quality systems. On the rare occasion, we will identify the need to remove products from the market in order to maintain the confidence and trust of our consumers. In the last five years however, Lactalis Canada has had zero food safety recalls and declining incidents of market recoveries.

### LACTALIS CANADA RECALLS AND MARKET RECOVERIES



## Food Safety & Product Quality

### COMMITMENT #2

*Drive, achieve and maintain regulatory compliance through the manufacturing and distribution of our products.*

#### Our Objective

Lactalis Canada's manufacturing facilities meet or exceed all federal, provincial, and municipal food safety and quality regulations.

#### Achieved



#### Our Objective

All Lactalis Canada manufacturing facilities will implement a uniquely Canadian food safety and product quality management system known as Quality System Lactalis Canada (QSL Canada).

#### In Progress



### OUR PROGRESS SO FAR

In 2021, Lactalis Canada facilities met all federal, provincial, and municipal regulatory requirements. Lactalis Canada is an active member of the Dairy Processors Association of Canada (DPAC), an industry group which meets regularly with regulators to review current and upcoming regulatory concerns within Canada and across the globe. Through this relationship we ensure our facilities are operating in the most current, safe, and modern manner.



### ONGOING PROGRAMS AND INITIATIVES

For more than 20 years QSL Canada has been the foundation for the implementation of quality standards throughout our operations. Revised and updated annually (currently 46 standards), this system aligns regulatory requirements, Lactalis Group expectations and Canadian business needs with the expectations of our customers and consumers.

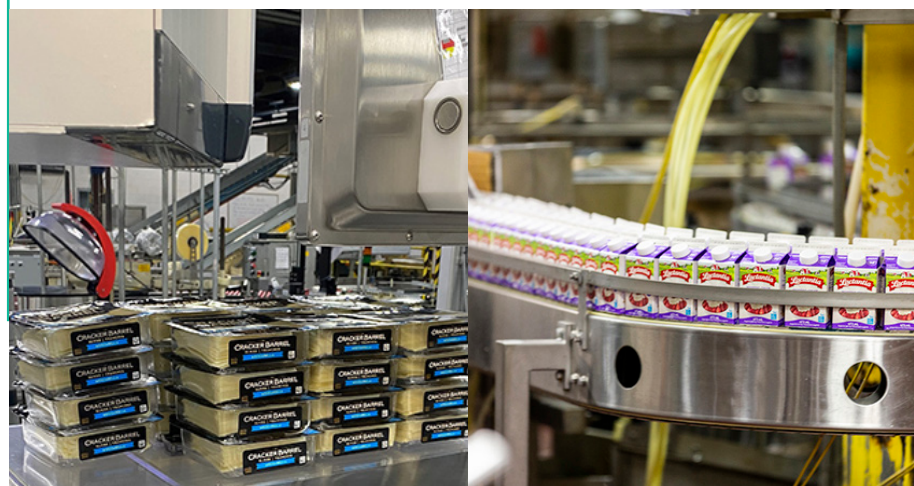
#### WHAT'S NEXT

Lactalis Canada will continue to contribute to, and abide by, the most recent food safety science to ensure consumers can be confident of the food safety and quality of our products. We understand the evolving regulatory landscape requires dynamic food safety and quality systems across our manufacturing facilities to implement change as efficiently and effectively as required.

## Spotlight

### LEVERAGING INNOVATION AND BEST PRACTICES GLOBALLY

As a leading global dairy processing company, the Lactalis Group is committed to ensure current and emerging food safety innovations, approaches, and best practices are shared across all countries on a regular and routine basis. Lactalis Canada reviews these communications within the Canadian framework to understand and evaluate the opportunity, impact, and applicability within our country.



## Food Safety & Product Quality

### COMMITMENT #3

*Create an exceptional customer and consumer experience by focusing on and listening to those who purchase our products all while delivering value for money.*

#### Our Objective

Reduce consumer claims per million units sold (PPM) on a year-over-year basis.

Achieved/Ongoing



#### Our Objective

Leverage innovation processes to develop and bring to market new products, or make intentional changes to existing products, to meet the evolving needs and preferences of Canadian consumers and generate growth for the company.

Achieved/Ongoing



### OUR PROGRESS SO FAR

Lactalis Canada actively listens to our consumers through direct contact with our 1-800 number and through our consumer contact pages, making reaching out both fast and easy. Our call centre is staffed with live, trained, and responsive agents - based in Canada - who can answer consumers' questions or find the people who can.

Through analysis of consumer concerns, we are able to react quickly and effectively with real time corrective actions.

### ONGOING PROGRAMS AND INITIATIVES

Lactalis Canada has a rigorous cross-functional process designed to ensure changes driven through innovation meet or exceed the expectations of our consumers and in doing so continue to provide an exceptional customer and consumer experience.

Through disciplined root cause analysis and development of sustainable and effective preventive/corrective action planning, Lactalis Canada has embraced continuous improvement applications which have helped drive consumer satisfaction and consumer preference for Lactalis brands in their everyday lives.

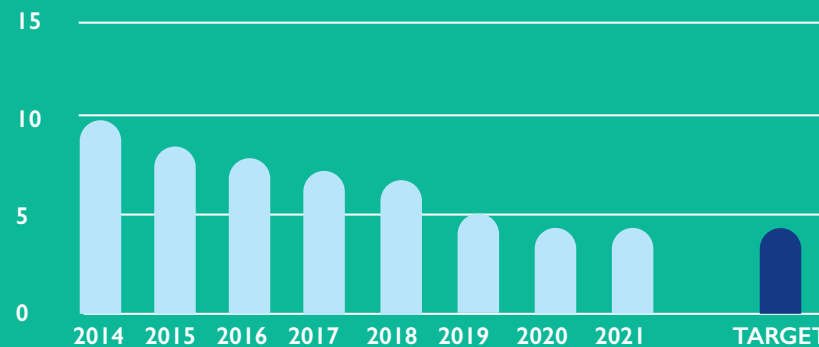
### WHAT'S NEXT

Careful analysis of consumer feedback and trending of KPIs will allow Lactalis Canada to set new, challenging, and achievable goals for each of its manufacturing facilities.

Future focus will always continue to be on food safety but will also embrace functional product attributes (such as taste, nutrition, diversity) that are also important to Canadian consumers to ensure our brands fit their needs both today and into the future.

Our progress and success are measured through a global KPI which monitors consumer claims (dissatisfaction) per million units sold. Lactalis Canada continues to achieve improved consumer satisfaction scores year over year.

LACTALIS CANADA - PPM EVOLUTION



## Food Safety & Product Quality

### COMMITMENT #4

*Identify, select, and leverage the expertise of strong and committed suppliers, supply chain partners and copackers, working collaboratively to champion food safety, product quality, innovation, and sustainability.*

#### Our Objective

Collaborate and share information with Lactalis quality leaders throughout the world to better position and address emerging issues proactively and effectively.

#### Achieved/Ongoing



### OUR PROGRESS SO FAR

Throughout 2021, despite the unprecedented and extraordinary supply chain issues and restrictions resulting from the global pandemic, Lactalis Canada maintained close and constant contact with our suppliers and partners, minimizing any disruption to the important work of maintaining the highest standards on food safety, product quality, innovation, and sustainability. Food safety and product quality are intrinsically linked with the safety and quality of the product inputs and our suppliers remain critical partners in our success.

### ONGOING PROGRAMS AND INITIATIVES

The supplier management program for supplier selection and approval is designed to a common global standard, led by Lactalis Group. Through this, Lactalis Canada continues to access the highest quality suppliers and partners, not just within Canada but from around the world, who will share our commitment to food safety, product quality and innovation.

### WHAT'S NEXT

Globally, Lactalis will continue to place focus and resources on ensuring the supplier selection and approval process is robust, challenging, and dynamic – and capable of changing quickly to meet changing global conditions and available supplies.

Lactalis Canada will work within the global network, building relationships and partnerships directly with our suppliers to ensure the collective expectations of Lactalis Group are understood and implemented consistently across the globe.

## Delivering Through the Pandemic

During this pandemic, the food industry – like many others – dealt with the impacts of supply chain disruptions and subsequent availability of consumer goods. Lactalis Canada worked collectively with our suppliers to assure the availability of raw materials and packaging for our manufacturing facilities.

We successfully maintained production within our facilities and reliably delivered safe, wholesome dairy products to Canadians.



## Food Safety & Product Quality

### COMMITMENT #5

*Provide consumers with best-in-class, quality products at competitive prices making our brands and private label products the preferred choice for consumers, while ensuring a safe, reliable, food supply for Canadians.*

#### Our Objective

Through the Lactalis Product Process, key stakeholders closely monitor, support, nurture and protect the company's "Pillar Products" to provide comprehensive continuous monitoring of key brands and products within the Canadian portfolio.

#### Achieved



### OUR PROGRESS SO FAR

Within the Lactalis Canada product portfolio there are products which fully meet and exceed our goals as the preferred brand in their category while remaining affordable and accessible to Canadian consumers. These products are called "Pillars" and their presence in the market is fiercely protected.

The success of these brands is maintained through implementation of the Lactalis Product Process. This cross-functional activity engages all functions and levels across the company in sensory monitoring and feedback, analysis of consumer comments, formulation review and corrective/preventive action plans where warranted.

### ONGOING PROGRAMS AND INITIATIVES

The Lactalis Product Process is managed through multiple KPIs including formulation development and review, product standards documentation, consumer claims management, in-house and expert panel sensory evaluations assuring compliance with product standards and assessment in the market against competitors.

### WHAT'S NEXT

The Lactalis Product Process and the key role sensory attributes play in product success will be reinforced through "Passion for Taste". This 2022 global initiative for Lactalis is intended to revitalize and expand the Product Process. Championed by the marketing team and supported cross functionally across all facets of product innovation, ideation, commercialization and launch, it will lead to product design delivering healthful, beneficial, safe, and delicious food choices for Canadians.



# Animal Welfare



At Lactalis Canada, contributing to animal welfare is not only our responsibility, but a cornerstone for the sustainability of the company's activities.

## OUR COMMITMENTS

- 1 Support value chain partners in the prevention of animal cruelty and compliance with government regulations pertaining to animal health and welfare.
- 2 As a leader in our industry, Lactalis Canada advocates for the implementation, deployment and reinforcement of ambitious animal welfare standards, phasing out the most problematic practices while implementing the best ones.

## WHY WE CARE

As a leading dairy processor, Lactalis Canada has made a firm commitment to its people, partners, suppliers and customers to build and foster a responsible and sustainable business that has a positive impact on our communities and planet. This commitment extends to animal welfare and to the treatment of milk-producing cows and laying hens.

## OUR PROGRESS SO FAR

Since 2019, we have been actively contributing to the modernization of the Code of Practice for the Care and Handling of Dairy Cattle.

We are committed to supporting the development and adoption of scientifically-informed and factually-backed practices so we continuously improve animal health and welfare in Canada.

Spearheaded by the National Farm Animal Care Council, the Code Development Committee is composed of representatives from Dairy Farmers of Canada, the Canadian Veterinary Medical Association, Humane Canada, provincial agriculture departments, Agriculture and Agri-Food Canada, and the Dairy Processors Association of Canada, to name a few.

We invite all value chain and industry partners to jointly support an updated code that will meet our collective requirements and responsibilities.

We have also been active in the development of the new Lactalis Group Animal Welfare Policy being established in countries where the Group is active. This policy is aligned to the internationally recognized "Five Freedoms" promoted by the World Organisation for Animal Health.

## WHAT'S NEXT

We will prioritize efforts and make progress on sensitive topics such as tethering, bedding space, group housing for calves, effective species-specific environmental enrichment, use of antibiotics as well as other impactful issues requiring our leadership.



8 RECENT REVENUE AND ECONOMIC GROWTH

## Animal Welfare

### COMMITMENT #1

*Support value chain partners in the prevention of animal cruelty and compliance with government regulations pertaining to animal health and welfare.*

#### Our Objective

Continue to support a strict policy of 'Zero Tolerance' related to the mistreatment of farm animals.

#### Achieved/Ongoing



### OUR PROGRESS SO FAR

In 2020, Lactalis Canada implemented a "Zero Tolerance" policy, viewing any mistreatment of animals as unacceptable. We expect all cow handlers to adopt and adhere to proper animal care and handling methods in all circumstances. Adequate and recognized training received by the producers and their farm employees is therefore essential. All are required to handle and treat animals with respect and in accordance with farm policies and rules, as well as federal, provincial and municipal regulations under which the farm operates.

As a cornerstone of our commitment to animal welfare, we consistently reinforce our policy commitment and expectations with our producer partners.

### ONGOING PROGRAMS AND INITIATIVES

In the event of an alleged animal abuse/cruelty situation identified by a credible source, it is our expectation that provincial authorities will:

- Suspend the producer's license and milk pickup from the implicated farm;
- Notify implicated processors immediately of such a circumstance and provide them with all relevant information; and,
- Prevent milk from an implicated farm from being shipped to any of our plants or to any other dairy processing plant until such time as assurance is provided by a third-party veterinary animal welfare auditor that there is compliance with the Code of Practice for the Care and Handling of Dairy Cattle and the farm is cleared by the provincial authorities to ship milk.

### WHAT'S NEXT

It is critical that partners throughout our supply chain understand our unwavering commitment to ensuring no animal is treated cruelly in the production of any of our products and we will continue to take every opportunity to reinforce our expectation.



## Animal Welfare

### COMMITMENT #2

*As a leader in our industry, Lactalis Canada advocates for the implementation, deployment and reinforcement of ambitious animal welfare standards, phasing out the most problematic practices while implementing the best ones.*

#### Our Objective

As an active member of the National Farm Animal Care Council (NFACC), now a division of Animal Health Canada, support the development and adoption of scientifically-informed practices on Canadian dairy farms.

#### In Progress

#### Our Objective

Actively contribute to the evolution of the Dairy Farmer of Canada's proAction Animal Care Module.

#### In Progress

#### Our Objective

Contribute to global Lactalis Group's Animal Welfare Policy which is aligned to the World Organisation for Animal Health's (OIE) 'Five Freedoms'.

#### In Progress

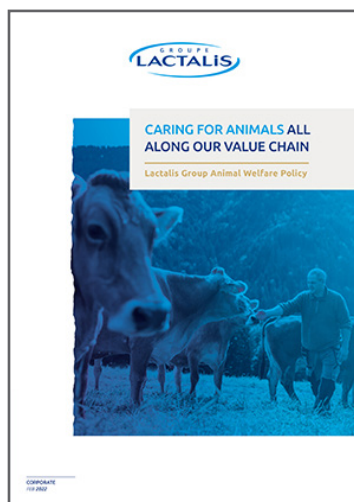
#### Our Objective

Support projects and participate in industry initiatives to improve scientific knowledge of animal welfare that lead to new solutions.

#### New ✨

### OUR PROGRESS SO FAR

Lactalis Canada has continued to contribute to the evolution of the Dairy Farmer of Canada's proAction Animal Care Module which allows dairy farmers to share publicly how they are adhering to some of the most stringent standards globally.

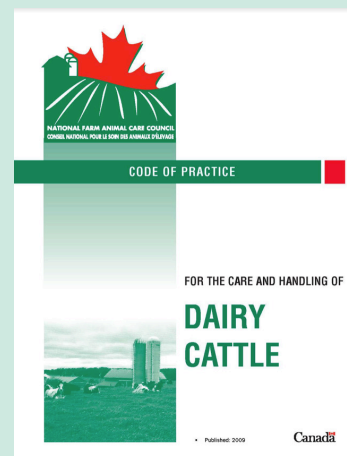


### ONGOING PROGRAMS AND INITIATIVES

As an active member of the National Farm Animal Care Council (NFACC) Lactalis Canada continues to support the development and adoption of scientifically-informed practices on Canadian dairy farms including in the areas of:

- Animal Housing
- Animal Care
- Feeding
- Transportation
- Husbandry Practices

Throughout 2021, Lactalis Canada provided valuable feedback to the Code Development Committee overseeing the modernization of the 2009 Code of Practice for the Care and Handling of Dairy Cattle.



### WHAT'S NEXT

The publication of the revamped edition of the Code of Practice is expected for late 2022. It will constitute the basis for the next iteration of Dairy Farmers of Canada's proAction Animal Care Module.

The Lactalis Group Animal Welfare Policy will be published in 2022.

In 2022 Lactalis Canada will identify potential presenters for sponsored training sessions or talks aimed at dairy producers and professionals such as veterinarians. Such workshops are likely to take place in 2023 and will be elements of the toolbox available to stakeholders to make progress on the new elements of the revamped Code of Practice.



# CANADIAN MILK SUPPLY

Lactalis Canada sources more than 2.1 billion litres of milk from Canadian dairy farms every year. These milk purchases are equivalent to the milk produced by more than 2,000 average size Canadian dairy farms in British Columbia, Alberta, Manitoba, Ontario and Québec. Moreover, in 2021 Lactalis Canada doubled its organic milk intake compared to 2020, with the intention of continuing to grow this market segment.

It is widely recognized that on-farm milk production is the largest source of carbon emissions in our industry's total supply chain. However, the 2019 life-cycle assessment conducted by Groupe AGÉCO for Dairy Farmers of Canada (DFC) concluded that the average emission of Canadian dairy farms dropped approximately nine per cent from a decade earlier and was less than half of the global average. The report also shows improvement in water consumption and land use. An updated version of this report is expected in 2023 and is anticipated to show further important improvements.

# REDUCING MILK WASTE DURING THE PANDEMIC

In a continuous effort to meet the sharp increase in retail demand during the pandemic, Lactalis Canada was able to optimize the milk supply available by processing surplus milk from our country's dairy farms. In 2021 Lactalis Canada was able to procure two-thirds of the total surplus milk available in the provinces where we operate. By being the main processor of structural milk surplus, Lactalis Canada significantly contributed to minimizing the milk being discarded at farm level. We are proud to fulfil our commitment to feed the nation with wholesome, healthy and nutritious dairy products, all while preventing milk waste.



Doubled its **organic milk** intake compared to 2020.

**2.1 billion litres** of milk from Canadian dairy farms every year.

## DID YOU KNOW?

In 2021, Lactalis Canada doubled its organic milk intake compared to 2020, with the intention of continuing to grow this market segment.



## Simple and Natural Ingredients



We provide our consumers with high-quality products to enjoy all the nutritious benefits and pleasure of dairy. We engage with all of our stakeholders in the value chain to preserve our shared natural resources and everyone's best future in an economically sustainable way.

### OUR COMMITMENTS

- 1 Drive meaningful and measurable reductions in the sugar and sodium content of our products.
- 2 Produce simple, nutritious 'clean label' dairy products, eliminating the use of complex ingredients wherever possible.
- 3 Continue to support the development and consumption of organic products and ingredients from local sources in order to serve increasing consumer demand.
- 4 Promote dairy for its rich nutritional attributes and its responsible and sustainable production practices.



### WHY WE CARE

Driven by consumer demand for natural and easily recognizable ingredients as well as the avoidance of artificial, highly processed ingredients in their foods, the move towards simple and natural ingredients has become an important cornerstone of the sustainable manufacturing of food products.

Dairy is, and always has been, well positioned to meet these consumer requirements, with most dairy products containing short, simple and natural ingredient declarations.

Understanding the ingredients and where they come from has never been more important for our consumers. At Lactalis Canada we strive for greater transparency with simpler ingredient declarations and the use of locally-sourced ingredients to further reduce our environmental footprint.

### OUR PROGRESS SO FAR

Lactalis Canada is committed to our goal of providing Canadian consumers with authentic products that are nutritious and simple. We have embarked on several 'clean label' initiatives replacing more complex colour and flavour ingredients in our yogourts and flavoured milks with natural sourced alternatives.

We have expanded our organic portfolio with the 2021 acquisition of Ultima Foods and their Olympic branded organic products.

Through a multi-disciplinary team comprised of R&D, Marketing and Quality, we have initiated reviews of all our ingredients with the aim of identifying additional opportunities.

### WHAT'S NEXT

Our ambitious five-year plan will focus on reducing sodium in cheese products where it is possible to do so, reducing sugar in yogourts and beverages produced for children and the further development of local themed ingredients. Our plan will be refined and updated each year with the latest scientific and consumer input.

## Simple and Natural Ingredients

### COMMITMENT #1

*Drive meaningful and measurable reductions in the sugar and salt content of our products.*

#### Our Objective

By 2023: Reduce sugar content by 25 per cent in our remaining retail milkshakes and by 5 to 10 per cent in our retail flavoured milks.

#### In Progress

#### Our Objective

By 2026: Implement targeted sodium reductions to achieve Health Canada's voluntary sodium reduction guidelines in cottage cheese, processed cheese, natural cheese and butter, where permitted by product stability and food safety standards.

#### New

### OUR PROGRESS SO FAR

We are well on our way to reach our initial sugar reduction targets identified for milkshakes and flavoured beverages with formulation development achieved and implementation plans developed.

Overall, in our yogourt division, 90 per cent of our volume reached compliance against our initial target for the Canadian market of 13.5g/100g of product. Those products exceeding this target are considered "indulgent" oriented.

In our baseline study we found chocolate milk comprised 95 per cent of our non-compliant volume above our initial target of 10.5g/100g for the overall flavoured milk category. Reformulation activities were initiated to address this gap, moving our bottled products to five per cent better than this target and our carton product more than 60 per cent of the way towards this goal.

In 2021, our chocolate milkshake offering was successfully reformulated to reduce sugar content by 25 per cent to 11.30g /100 g - lower than that of a number of Lactalis Canada's major competitors.

### ONGOING PROGRAMS AND INITIATIVES

We will begin to implement and communicate the new formulation of our chocolate milk offerings for cartons and bottles by the fourth quarter of 2022. This is being timed to coincide with other planned packaging changes to minimize waste of existing packaging stocks.

In addition, our Lactantia vanilla milkshake reformulation, targeting a sugar reduction of approximately 30 per cent, will be fully implemented by Q4 2022 to coincide with other packaging changes.

We continue to focus attention on reducing sodium levels in processed cheese, cheese, butter and cottage cheese offerings with baseline benchmarks established in all categories both domestically and globally to identify best practices.

### WHAT'S NEXT

We will continue to review further opportunities to reduce added sugar in our carton chocolate milks through Q4 2023 to meet our end target of 10.5g/100g. Using baseline data from our benchmark analysis we have identified and will initiate projects for sodium reduction in 2022 for cottage cheese, butter and processed cheese with the ultimate goal of compliance with Health Canada targets for these areas.

↓ 25%  
Reduced sugar content



## Simple and Natural Ingredients

### COMMITMENT #2

*Produce simple, nutritious 'clean label' dairy products, eliminating the use of complex ingredients wherever possible.*

#### Our Objective

By Q4 2022: Where present, remove all Yellow # 6 colour and Caramel colour ED150 from all cocoa blends and fruit preparations.

#### In Progress



#### Our Objective

By Q4 2022: Establish guidelines for new Product Development Requests (PDRs) directing the use of only simple ingredients, where possible, and the prohibition of 13 priority ingredients.

#### In Progress



### OUR PROGRESS SO FAR

Lactalis Canada only uses Health Canada approved ingredients, flavours and colours in our products. We have, however, embarked on several 'clean label' initiatives to meet the expectations of our consumers to simplify ingredient declarations on all our products, including the removal of artificial colours and flavours across a variety of products.

Lactalis Canada has assessed all of our retail products from a clean label perspective and have identified two areas where we plan to remove the colours Yellow # 6 and Caramel ED150 to simplify our products. These widely used colours are found in only six per cent of our products.

We are collaborating with Lactalis Canada's Retail and Food Service divisions to understand current and future needs of both the company and our customers to ensure new product development will be implemented within clean label expectations.

### ONGOING PROGRAMS AND INITIATIVES

In our ongoing efforts to remove artificial colours and flavours across as many products as possible, we will have eliminated Yellow # 6 colours in our chocolate milk offerings and E150D in all our retail yogurt products by the end of 2022.

We continue to monitor emerging trends for the ingredients we are using through a web-based system that assesses scientific, regulatory and media activity to help us identify ingredients of concern to our consumers as early as possible. Through this tool additional priority ingredients will be identified and, where appropriate, elimination plans developed. By leveraging our Group's knowledge and insight across more than 50 countries we seek to accelerate innovation in this and other areas.

### WHAT'S NEXT

In 2022, we will perform a second assessment of more than 1,800 products and their ingredient declarations. Our focus will be on ensuring we have clean labels as determined by our internal assessment against any new ingredients identified for possible removal.

We will ensure we have established and implemented detailed guidelines and processes with respect to ingredient usage within our new product development process, ensuring new product launches will be with clean labels wherever possible.

## Dropping Artificial Colours and Flavours

In our ongoing efforts to remove artificial colours and flavours across as many products as possible, we will have eliminated Yellow #6 colours in our chocolate milk offerings and E150D in all our retail yogurt products by the end of 2022.



## Simple and Natural Ingredients

### COMMITMENT #3

*Continue to support the development and consumption of organic products and ingredients from local sources in order to serve increasing consumer demand.*

#### Our Objective

By 2025: Triple our organic dairy product volume compared to 2020.

#### In Progress

#### Our Objective

By 2023: Expand the sourcing of local dairy and non-dairy ingredients into our product offerings.

#### In Progress

### OUR PROGRESS SO FAR

Since Lactalis Canada's 2021 acquisition of Ultima Foods, we have been focusing efforts on expanding our existing organic presence nationally with the addition of the Olympic Yogurt, Kefir and Sour Cream brands.

To assist in further driving our commitment to organic products we extended our organic Olympic brand into both Organic Greek and Organic Lactose-Free Yogurt offerings. Focusing on the younger market, we launched Olympic Kids Organic Spoonable Yogurt and Stonyfield Organic Drinkables. These additions broaden the portfolio to better meet the needs of our organic consuming families.

In a further commitment to local and Canadian sourcing, we have expanded our Canadian Harvest line-up with Canadian sourced peach and raspberry flavours. We have also expanded the format to 12-cup multi-packs so now the entire family can enjoy.

Further demonstrating our commitment to Canadian dairy ingredient sourcing, as of Q4 2021, all of our dairy case cheeses now feature the Dairy Farmers of Canada Blue Cow logo. See p. 44 for more information about the Blue Cow logo.

### ONGOING PROGRAMS AND INITIATIVES

Nationally we are focused on almost tripling the organic milk volumes processed in our facilities by 2025. Expanding and promoting organic offerings with a local or regional theme on a national level requires significant logistical and production planning between ourselves and the producing farmers such as with our Olympic brand British Columbia dairy initiative.

We continue to enhance these relationships and in 2021, Lactalis Canada began featuring Dairy Farmers of Canada's iconic Blue Cow logo on yogurt products marketed under the Astro and Stonyfield brands. More than 650 of our milk, cream, cheese and yogurt products now bear the Blue Cow logo, signifying 100 per cent Canadian-sourced milk.

### WHAT'S NEXT

Our focus will remain on growing our organic offering on a national level with continued launches in the Olympic Organic portfolio including an improved 1.75 kg format and investment in additional processing capacity in Ontario.

Local and Canadian sourcing initiatives will include the extension of the Blue Cow logo into our Balderson cheese brand lineup by Q2 2022. Further expansion tied to new product launches within the Lactantia, Astro and Stonyfield brands will occur through the end of 2023.



## Simple and Natural Ingredients

### COMMITMENT #4

*Promote dairy for its rich nutritional attributes and its responsible and sustainable production practices.*

#### Our Objective

Our commitment is anchored in three key areas of focus:

1. Be an active partner within the dairy industry to influence decisions and ensure consumers are well informed about the nutritional benefits of dairy through partnerships with key players such as the Canadian Digestive Health Foundation (CDHF)
2. Reinforce, educate and raise awareness of the benefits of dairy with internal and external stakeholders through internal webinars and information as well as external sponsorships.
3. Leverage our brands packaging and communications to support dairy goodness messaging through the launch of dairy products with added functional benefits.

#### In Progress

### OUR PROGRESS SO FAR

With more than 20 million Canadians suffering from some form of digestive condition, Lactalis Canada has an important role to play in helping communicate the benefits of dairy in many areas of digestive health. In 2021, we formed a strategic partnership with the Canadian Digestive Health Foundation to help us share important information with consumers. Our launches and brand refreshes in 2021 included the certification and logo adoption of CDHF in a numerous milk, yogourt and cheese products.

When it comes to managing appetite and staying fuller for longer, two important components of a complete diet should be given special attention – protein and fibre. We launched our new line of Astro Protein and Fibre Yogourt to meet this need and proudly display the CDHF logo of certification.

For those suffering with Lactose malabsorption, our full range of lactose-free fluid milk products now bear the CDHF certification logo, making them an easier choice to meet our consumers nutritional needs.

A full list of our CDHF-certified products can be found at [www.cdhf.ca](http://www.cdhf.ca).

### ONGOING PROGRAMS AND INITIATIVES

While progress has been made in the development of specific nutrient benefit messaging, this is only part of our ongoing efforts in the development of a broader dairy goodness message that is consistent across brands. The development of this messaging is designed to help bring our dairy goodness strategy to life and is consistent with Lactalis Canada's purpose to *Enrich and Nurture the Lives of Canadians*.

The updates of our "Get Real, Get Milk" program (Internal Lactalis initiative to promote nutritional benefits of dairy) will continue and include latest scientific updates. This program will be incorporated into our milk for all ages and stages of life themed communications.

### WHAT'S NEXT

We will continue to introduce value-added products bearing the CDHF logo ranging from probiotic to lactose-free cheeses, milk and yogourts. Our focus will continue on being a positive ambassador and champion of dairy by reinforcing, educating and generating awareness of its benefits with internal and external stakeholders.

Key efforts going forward will focus on actively partnering with the Dairy Farmers of Canada and provincial milk marketing boards on relevant topics to ensure consumers are well informed on the benefits and myths of dairy.

As importantly, we will flag false, misleading or deceptive information and, wherever possible or relevant, contribute to the development of the narrative that disproves such claims.



*"Digestive health and disease are being recognized with greater importance than ever before. CDHF is very proud to partner with Lactalis Canada and its brands to educate the millions of Canadians living with digestive ailments. We look forward to seeing the product on shelves with the CDHF symbol of distinction on-pack, across Canadian retailers."*

– Kelsey Cheyne  
Executive Director, Canadian Digestive Health Foundation

**NEW**  
Astro Protein and  
Fibre Yogourt



# RESPONSIBLE SOURCING

Identifying and partnering with suppliers and other key stakeholders to ensure the most sustainable sourcing of our ingredients is a priority for Lactalis Canada.

# EMBRACING THE BLUE COW LOGO

In 2021, Lactalis Canada began featuring Dairy Farmers of Canada's iconic Blue Cow logo on yogurt products marketed under the Astro and Stonyfield brands. More than 650 of our milk, cream, cheese and yogurt products now bear the Blue Cow logo signifying 100 per cent Canadian-sourced milk. Since 2010, the Blue Cow logo has been the face of the proAction initiative which demonstrates that Canadian dairy farmers are meeting world-leading standards on food safety, milk quality, traceability, biosecurity, animal welfare and environmental stewardship.



More than **650**

of Lactalis Canada's milk, cream, cheese and yogurt products now bear the Blue Cow logo signifying 100 per cent Canadian-sourced milk.



# SUPPLIER STANDARDS OF CONDUCT ("STANDARDS")

Lactalis Canada Inc. recognizes that, as a distinguished leader in the dairy industry, our corporate responsibility extends to our supplier network. To this end, Lactalis Canada Inc. and its subsidiaries (collectively "Lactalis Canada") have an ethical and business objective to be responsible corporate citizens. We aspire to do business with suppliers that share our commitment to corporate responsibility.

We know that clear alignment with our supplier partners on these Standards will result in a positive impact to Lactalis Canada, our supplier network, and further serve to the broader business community as an example of leading business practices. To meet the growing expectations of our various stakeholders, we have established these Standards which define the ethical, social, and environmental requirements by which Lactalis Canada expects its suppliers to conduct their business.

In addition to complying with applicable laws and regulations in the countries where they do business, and applicable contractual obligations, suppliers to Lactalis Canada are expected to meet the following Standards:

**SAFETY CULTURE** - Suppliers are expected to:

- establish and maintain standards, procedures and management controls to ensure compliance with applicable health and safety laws and regulations at all times; and
- encourage employees to be actively involved in the improvement of their health and safety.

**HUMAN RIGHTS** - Suppliers are expected to:

- support and respect the protection of internationally proclaimed human rights; and
- ensure they are not complicit in human rights abuses by knowingly providing practical assistance, encouragement or moral support that has a substantial effect on the perpetration of the abuse.

**LABOUR STANDARDS**

- Suppliers are expected to:

- uphold freedom of association and the effective recognition of the right to collective bargaining;
- support the elimination of all forms of forced and compulsory labor;
- support the effective abolition of child labor; and
- support the elimination of discrimination in respect of employment and occupation.

**ENVIRONMENT** - Suppliers are expected to:

- encourage the development and implementation of technologies that protect the environment, reduce pollution, engage in sustainable resource management and use, increase recycling of their waste and products, and undertake and continuously improve acceptable waste management; and
- share available environmental data and risk analysis for the purpose of identifying best practices and areas of improvement.

**BUSINESS CONDUCT AND ETHICS**

- Suppliers are expected to:

- not engage in any form of corrupt activity and should adhere to policies that require compliance with applicable anti-corruption laws and promote anti-corruption compliance practices.

**COMPLIANCE**

We expect that our suppliers will proactively monitor and assess their business practices and seek opportunities for continuous improvement. To this end, our suppliers must conduct risk assessments to identify areas of potential non-compliance and implement appropriate measures to safeguard against such non-compliance.

Lactalis Canada may periodically review a supplier's conformity with these Standards. During such review or at any time, Lactalis Canada may ask a supplier to provide documentation to demonstrate its adherence to these Standards and/or Lactalis Canada may appoint a third party auditor to audit a supplier's compliance with these Standards.

At any time, Lactalis Canada may terminate its business relationship with a supplier due to the supplier's failure to conform to these Standards.

**REPORTING**

Violations of these Standards may be reported anonymously as follows:

**Lactalis Canada Inc.**  
405 The West Mall, 10th Floor  
Toronto, Ontario  
M9C 5J1  
Attn: Legal Department  
Email: [compliance@ca.lactalis.com](mailto:compliance@ca.lactalis.com)





## LAND & RESOURCES

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*Act responsibly and sustainably to foster a stable and thriving planet for the future.*



# Energy & Carbon

Lactalis Canada will contribute to the health of our planet through an unwavering focus on reducing our energy usage and overall carbon footprint.

## OUR COMMITMENTS

I Drive significant and sustainable changes in our energy and natural gas consumption in Canada, contributing to Lactalis Group's global GHG reduction targets on Scope 1 and Scope 2 emissions of:

- 25 percent by 2025
- 50 per cent by 2033
- Net zero by 2050

## WHY WE CARE

Climate change has emerged as one of the major challenges of our time. According to climate scientists, by the year 2100, current trends will lead to the extinction of many animal and plant species, threaten food security and compromise human activities. In fact, climate change is already happening and impacting our daily lives: increased temperatures, droughts, more frequent and intense storms; clear signals that show the urgent need for concrete actions to drastically and immediately reduce our reliance on greenhouse gas- emitting fossil fuels.

The food and beverage sector, along with its upstream agricultural component, are considered key contributors in developing positive solutions to curb carbon emissions and build resilience to production systems throughout the value chain.

As an industry leader, Lactalis Canada believes that our size is a strength that presents opportunities to tackle climate change. Through collaboration with our entire value chain, we can make a significant positive impact and accelerate the transition to reduced carbon models.

## OUR PROGRESS SO FAR

The impact of our industrial activities on the climate is limited by the implementation of energy audits, the application of good practices and the installation of energy transitions when possible, including the use of renewable energy.

## WHAT'S NEXT

We cannot achieve our ambitions alone: reducing our indirect emissions will require that we actively and effectively mobilize all those in our value chain. On that journey, we believe our size and experience, both within Canada and globally, will serve as a strength that leads to more rapid decarbonization through the sharing of our tools, sparking innovation and co-creating sustainable solutions.

The strong reduction strategy and targets we are currently building within our value chain will help us achieve our net zero ambition.

Lactalis Group's commitment to the reduction of scope 1 and 2 emissions by at least 50 per cent by 2033 is aligned to the Group's 100th anniversary taking place in 2033.



## Energy & Carbon

### COMMITMENT #1

Drive significant and sustainable changes in our energy and natural gas consumption in Canada, contributing to Lactalis Group's global GHG reduction targets on Scope 1 (direct emissions from owned or controlled sources) and Scope 2 (indirect emissions from the generation of purchased electricity, steam, heating and cooling) emissions of:

- 25 per cent by 2025
- 50 per cent by 2033
- Net zero by 2050

#### Our Objective

Through the greater use of renewable energy as well as the implementation of new technologies, Lactalis Canada's will reduce its reliance on electricity in our manufacturing processes.

#### In Progress

#### Our Objective

In the absence of viable alternatives to natural gas to power our manufacturing plants, our focus is ensuring our facilities operate with the best available equipment, including energy reclaim technologies to help us achieve our emission targets.

#### In Progress

### OUR PROGRESS SO FAR

Mitigation efforts are already underway at every step of our supply chain. Our improvements begin with the operations we control such as our manufacturing plants and warehouses.

Currently, Lactalis Canada relies exclusively on the traditional power grid for our electricity requirements. Our focus is now shifting to the exploration of alternative sources in conjunction with our suppliers and various levels of government, while continuing to enhance our energy reclaim technology (air compressors, replacement refrigeration efficiency). The batteries and cogeneration used for on-site biosolids has been identified as a potential opportunity which we will begin work on later in 2022.

Natural gas is currently the standard method for powering dairy processing plants as no commercially viable alternatives currently exist for the scale required. Gas usage is the biggest contributor to our carbon emissions at the plant level; therefore we have a long-term, project-based action plan to reduce our gas consumption through the replacement of obsolete equipment and the implementation of energy reclaim technologies.

### ONGOING PROGRAMS AND INITIATIVES

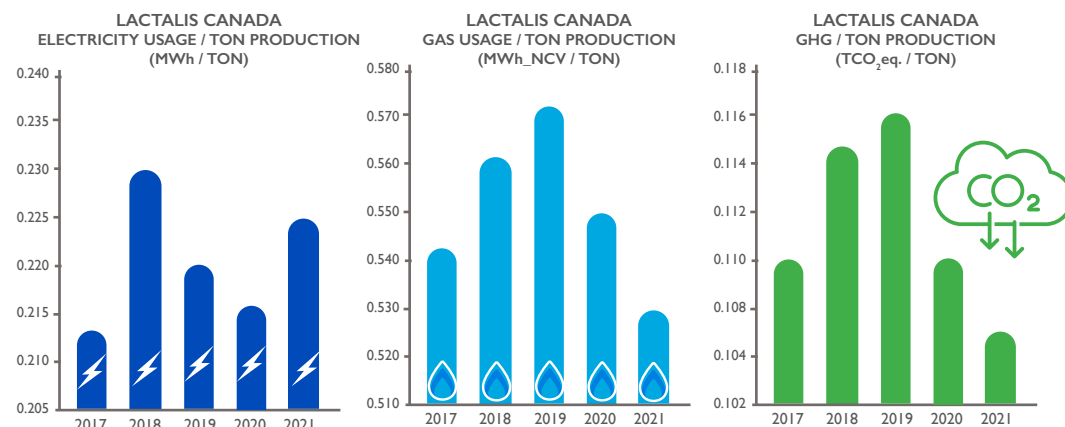
In 2019, our direct operations, industrial and logistic activities, emitted approximately 116,000 tons of CO<sub>2</sub> equivalent. This data point represents our baseline for our journey to net zero emissions by 2050. Our focus to achieve this ambitious target will include:

- Improving our operational efficiency through the implementation of best practices in both production and transportation;
- Switching to renewable energy sources such as solar, biogas, and appropriate biofuels; and
- Following the development of innovative solutions and adopting relevant new opportunities into our manufacturing processes.

### WHAT'S NEXT

The work underway to help us meet our carbon emission targets within our own operations continues. As a dairy company, however, more than 80 per cent of our GHG emissions occur outside our owned operations, both upstream and downstream in our value chain. Our primary raw material, fresh milk, is the main sources of indirect carbon emissions.

In order to ensure more sustainable production practices, we are engaging in partnerships with producers as well as with technical experts, policy makers and professional associations to tackle carbon emissions at farm level. These are first steps toward a low-carbon emissions value chain, but we still have a challenging road ahead.



# Water



WINCHESTER, ON



Preserve our country's precious and finite water resources for future generations to enjoy.

## OUR COMMITMENTS

I Develop and implement systems, tools and processes to continue increasing the efficiency of Lactalis Canada's water usage / production (M3/tons).

## WHY WE CARE

Sustainable water usage is a critical sustainability priority for Lactalis Canada. We are constantly looking for new ways to improve our usage and reduce our waste by reviewing our factory processes and with local organization to help us meet our environmental goals.

## OUR PROGRESS SO FAR

It is imperative for us to be proactive in our water consumption and continue our focus on reducing wastewater outputs at our plants. Along with our internal efforts, we will collaborate with our suppliers and communities to deliver on these environmental and socially beneficial initiatives.

## WHAT'S NEXT

Water covers approximately 70 per cent of the earth's surface, yet 11 per cent of the world's inhabitants still have no access to potable water. We can no longer treat water as an infinite resource.

We use water as a necessary input in the manufacture of our products, often in cleaning processes that ensure quality and safety. It is a key resource for our industry and we are thoughtful at each stage to strike a balance efficiency and quality.



## Water

### COMMITMENT #1

*Develop and implement systems, tools and processes to continue increasing the efficiency of Lactalis Canada's water usage / production (M<sup>3</sup>/tons).*

#### Our Objective

Continue increasing efficiency in our water usage/production -m<sup>3</sup>/ton

#### In Progress



### OUR PROGRESS SO FAR

In line with our overall standardization and measurement goals, we are ensuring accurate data collection on our water usage and disposal by installing samplers (water quality measurement systems) as well as volumetric flow metres at all of our manufacturing facilities. With the implementation of this data collection technology, we have been gathering data on our water usage.

### ONGOING PROGRAMS AND INITIATIVES

We are continuing our efforts to better measure our water consumption.

Between 2017 and 2020 Lactalis Canada achieved a six per cent decrease in water usage / ton of product, but in 2021 that positive trend was reversed as there was an increase of 3.8 per cent. This was a result of production integration at two new facilities and are an opportunity for improvement.

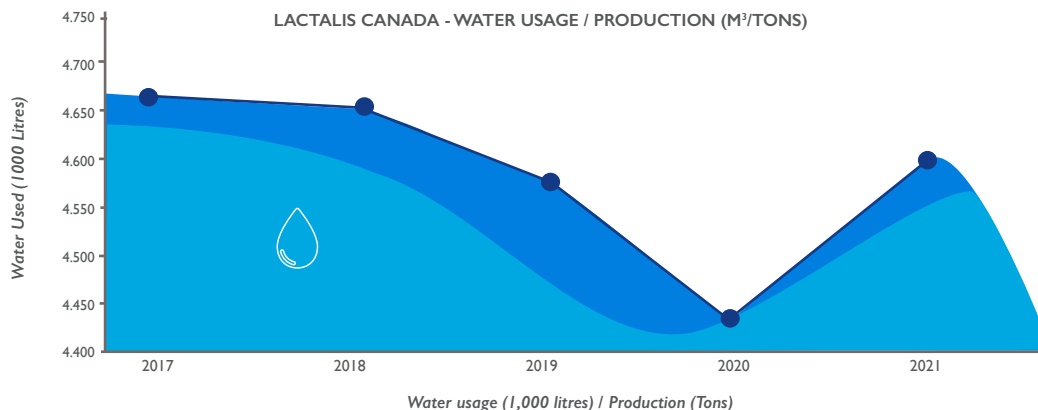
### WHAT'S NEXT

We are committed to continue to implement our long-term plan to reduce our water usage.

## Spotlight

Lactalis Canada won the first-ever 2021 Canadian Grocer Impact Award in the Sustainability category for its Wastewater Modernization Project at its Winchester, Ontario plant.

The multi-million dollar, four-year project completed in 2020 has contributed to odour and noise mitigation, 35 per cent reduced electricity consumption and an enhanced wastewater treatment process at the plant, serving as a model for how Lactalis plans to improve wastewater quality in plants and communities, both in Canada and globally.



# Transportation

Reduce the carbon footprint of our supply chain from the plant gate to our customers' doors.

## OUR COMMITMENTS

I Reimagine how we transport our products to market to reduce Scope 1,2 and 3 greenhouse gas (GHG) emissions related to upstream and downstream transportation by 30 per cent by 2027 and 60 per cent by 2033.

## WHY WE CARE

With 30 sites, including 19 manufacturing facilities in five provinces, getting our products to our customers across this geographically vast country relies on trucks and trains that use fossil fuels and produce greenhouse gases.

At Lactalis Canada our approach is to reduce our carbon footprint through more efficient use of the transportation equipment we use, reducing the total number of trucks on the road, increasing the use of the country's effective rail network and partnering with strategic suppliers who invest in alternative energy sources for the transportation of goods.

## OUR PROGRESS SO FAR

Delivering our nutritious products to Canadians across the country is our priority in Supply Chain.

Despite challenging weather conditions, the vastness of our country and a fast-moving consumer goods environment, it is key for us to explore all avenues to reduce our footprint while delivering an optimal service to our customers. We have integrated in our processes an environmentally-conscious mindset in everything we do, from the selection of our suppliers to the modes of transportation we use.

## WHAT'S NEXT

While our targets to reduce GHG emissions through 2033 are ambitious, we know that they are achievable, but will require new approaches, investments, and solutions to how we have delivered our products in the past. In the near term, our efforts will focus on:

- Continuing the renewal of our fleet and equipment;
- Developing further intermodal transportation; and
- Partnering with external stakeholders to reduce our GHG emissions.



## Transportation

### COMMITMENT #1

*Reimagine how we transport our products to market to reduce Scope 1,2 and 3 greenhouse gas (GHG) emissions related to upstream and downstream transportation by 30 per cent by 2027 and 60 per cent by 2033.*

#### Our Objective

Identify and implement alternatives to road transportation through the promotion of intermodal transportation solutions.

#### In Progress

...

#### Our Objective

Optimize the use of our transportation assets to reduce our greenhouse gas emissions.

#### In Progress

...

#### Our Objective

Reduce our gas consumption when using road transportation.

#### In Progress

...

### OUR PROGRESS SO FAR

The implementation in 2021 of a new Transport Management System, has provided Lactalis Canada the tools to optimize the load capacity of our trucks and distance of the distribution routes to transport products to customers, resulting in less frequent deliveries and ultimately an overall reduction of GHG emissions.

Changes to our delivery frequency policy and minimum order size has also resulted in more efficient loads to our customers without sacrificing service standards.

We continued to upgrade our transportation fleet including the introduction of new trailers with state-of-the-art, hybrid (fuel/electric) refrigeration generation systems. This represents 12 per cent of our fleet, with further upgrades planned.

We developed partnerships with major operators in the rail industry in order to reduce our carbon footprint and gas consumption. Moving freight by rail instead of trucks can result in a reduction of GHG emissions of up to 75 per cent. In 2021, we converted 85 per cent of our freight to British Columbia and Alberta from trucks on the road to train transportation.

### ONGOING PROGRAMS AND INITIATIVES

We are continuously exploring ways to reduce our GHG emissions in everything we do, from implementing new tools to optimize our efficiency on the road, to upgrading our fleet and equipment, to exploring new transportation modes that are more respectful of our environment.

We are committed to developing partnerships with transportation companies that are also committed to reduce GHG emissions and working collaboratively with our customers

### WHAT'S NEXT

To help reduce our reliance on road transportation, we are continuing to seek opportunities to leverage Canada's efficient rail network by using this mode of transportation more broadly, regardless of the distance (e.g., less than 1,500km).

We will continue renewing our refrigeration equipment with hybrid material through 2025.

Finally, working in collaboration with our customers and transportation partners will be critical to ensure a more sustainable supply chain for our business.

## Spotlight

In a disrupted supply chain environment, Lactalis Canada's commitment to leveraging more sustainable transportation modes allowed us to double our use of the Canadian rail network in less than two years. This resulted in a 75% reduction in emissions of CO<sub>2</sub>e for every load converted to rail in transport activities going through British Columbia and Alberta.



# Circular Economy & Packaging



At Lactalis, our vision is that the right packaging takes care of our products, our consumers and the environment.

## OUR COMMITMENTS

1 Drive initiatives to continuously reduce our product packaging intensity.

We strive to achieve circularity\* in all of our packaging decisions:

2A Reach sustainable certification on 100 per cent of the virgin paper used in our packaging by the end of 2023.

2B Drive initiatives to achieve 30 per cent recycled material in our packaging by 2026.

2C Address problematic elements in our packaging by eliminating polyvinyl chloride (PVC) plastics from all packaging by 2025.

3 Educate consumers through waste management information contained on all product packaging by 2025.

## WHY WE CARE

We recognize that while our packaging is necessary to provide consumers with safe, nutritious food in the convenient formats they desire, the environmental impact of packaging waste must be minimized.

With deforestation still a major problem and only a small fraction of the plastic used in Canada effectively recycled, the minimization of packaging and the development of a closed looped packaging economy is essential.

At Lactalis Canada we want to play our part in closing the loop and protecting our environment from packaging waste.

We have executed 12 projects related to corrugate packaging alone, reducing our annual usage by close to 52,000 kg of paper per year.

While over 90 per cent of current retail branded packaging today is recyclable, we continue to look for ways to ensure recycling is actually achieved. We have engaged the How2Recycle group to provide a third-party assessment of our packaging and to help us provide consumers with clear on-pack waste management instructions. We want to ensure that our consumers have all the information they need to allow them to play their part in the circular economy.

## OUR PROGRESS SO FAR

Our efforts in 2021 focused on solidifying our baseline data, identifying opportunities for greatest impact and initiating projects to address those challenges. We have identified almost 150 projects to help us move to 100 per cent recyclable through packaging design, reducing packaging material consumption, increasing recycled material content and ensuring sustainable sourcing of virgin materials we use.

## WHAT'S NEXT

Our priority remains to ensure the packaging we use is 100 per cent recyclable by design as the foundation of a circular economy. In parallel we look for opportunities to reduce overall packaging utilization through more eco-friendly designs and light-weighting of materials.



\*Circularity: When a product re-enters the supply chain instead of landfill after the consumer is finished with the product.

## Circular Economy & Packaging

### COMMITMENT #1

*Drive initiatives to continuously reduce our product packaging intensity.*

#### Our Objective

By 2025: We will have reduced packaging intensity to optimize packaging performance with material usage, light-weighting activities wherever possible.

#### In Progress

...

#### Our Objective

By 2022: We will have implemented a new eco-design tool to allow for evaluation and scoring of each of our packaging solutions and ensure any modifications move us closer to a circular economy.

#### New ✨

#### Our Objective

By 2022: We will have assessed all new packaging against the Canadian Plastic Pact's Golden Rules of Packaging Design to ensure circular economy compatibility.

#### In Progress

...

### OUR PROGRESS SO FAR

We have conducted a broad packaging utilization assessment for all of our branded retail products.

In 2021, Lactalis Canada produced almost 690 million kg of branded retail packaging using approximately 22 million kg of non-reusable packaging.

As we continue to expand our business, we are adding new products to our packaging intensity (PI) baselines and have calculated our new overall PI for 2021 to be 32grams of packaging for each kilogram of product we produced. This is an increase from 29g/kg in 2019 and reflects a change in the product mix rather than an increase in specific packaging weights. This increase to PI is, however, more than offset by efforts to divert plastic from landfill to the recycling stream.

In 2021, we met with our top 10 packaging suppliers and identified over 150 short-term and longer-term unique solutions to our packaging sustainability opportunities and challenges.

### ONGOING PROGRAMS AND INITIATIVES

We continue to prioritize our packaging intensity reduction projects to work on those products with the greatest impact and where solutions are available.

We have initiated changes to our innovation process to include an assessment for compliance to the Canadian Plastic Pact's Nine Golden Rules of Packaging Design. This will help us ensure that new packaging being introduced is as compatible with the circular economy as possible.

### WHAT'S NEXT

Our focus remains on reducing packaging usage by prioritizing and implementing opportunities identified through supplier meetings. Activities in 2022 will include meeting with each of our business groups to review and prioritize those packaging light-weighting and packaging intensity reduction initiatives with the greatest impact. In addition, we will implement our corporate eco-design tool in June 2022 so that 100 per cent of current and future packaging solutions for Lactalis Canada's 'Pillar Products', and all future packaging solutions for product innovations, can be assessed by 2025.

## Spotlight

### PACKAGING PROJECTS IN 2021

Lactalis Canada initiated 12 corrugate cardboard projects eliminating almost 52,000 kg of corrugate cardboard from use as packaging, thereby saving almost 900 trees annually.

Even a little change can make a huge difference. With more than six million trays used to transport our 750g yogourt containers to customers, reducing a tray by just one gram saves over 6,000 kg of corrugated cardboard. That's the equivalent of 100 trees annually!



## Circular Economy & Packaging

### COMMITMENT #2A

Reach sustainable certification on 100 per cent of virgin paper used in our packaging by the end of 2023.

#### Our Objective

By 2022: Achieve certifiable sustainable sourcing for corrugate cardboard and boxboard packaging.

#### In Progress

...

#### Our Objective

By 2023: Achieve certifiable sustainable sourcing for labels.

#### In Progress

...

### OUR PROGRESS SO FAR

In 2021, Lactalis Canada defined its current baseline for virgin material in corrugate cardboard.

As the majority of our paper usage is in corrugate and boxboard packaging, in 2021 we established a corrugate baseline to determine quantity of virgin material purchased for use in our corrugate packaging and the sustainable sourcing status of that material.

We determined that only 16 per cent of our corrugate was virgin material with remaining 84 per cent made of recycled content. Almost 90 per cent of our virgin content is from a certified sustainable source.

### ONGOING PROGRAMS AND INITIATIVES

Our initial efforts in the area of sustainable virgin paper usage focused on sustainable sourcing. We expect to achieve our sustainable sourcing objectives by 2023. Lactalis believes healthy forests mean a healthy future for us all. That's why we use certified products.

In the ongoing second portion of this initiative, we are exploring the added benefits of Chain of Custody Certification that promotes sustainable forestry through an investment in conservation research, community engagement and environmental education.

### WHAT'S NEXT

Throughout 2022 we will move the remaining two per cent of our non-certified sustainably sourced corrugate to a certifiable source.

While labels can sometimes provide a recycling challenge, we will work to ensure that their components are as environmentally friendly as possible. In 2022, we will establish our baseline followed by action plans to ensure the virgin material used in product labels is quantified and that this content is from sustainable sources by 2023.

## Spotlight



**84 per cent**  
of our corrugate  
packaging is made  
of recycled content.



Almost  
**90 per cent**  
of our virgin  
content is from  
a certified  
sustainable  
source.

## Circular Economy & Packaging

### COMMITMENT #2B

*Drive initiatives to achieve 30 per cent recycled material in our packaging.*

#### Our Objective

By 2022: Achieve certifiable sustainable sourcing for corrugate cardboard and boxboard packaging.

New ✦

#### Our Objective

By 2022: Identify and prioritize projects for increased recycled content where possible in non-food contact packaging.

New ✦

### OUR PROGRESS SO FAR

In 2021, we determined that our non-product contact packaging associated with our culture and cheese products exceeded 30 per cent recycled fibre content due to the high use of recycled content in corrugate packaging.

With returnable reusable milk crates used heavily in the fluid milk business, recycled content inclusion is focused on plastic, with up to 50 per cent of the material in milk crates sourced from previous milk crates or post consumer recycled (PCR) resin sources. This type of packaging provides a good destination for PCR content until the infrastructure and stable source for food-grade packaging PCR can be established.

### ONGOING PROGRAMS AND INITIATIVES

Following the establishment of our PCR content baseline in secondary packaging, we are continuing to look for opportunities both in this type of packaging and, over the longer term, in product contact packaging.

With a focus on beverage containers, we have started initiatives with our top four beverage container packaging suppliers to identify PCR sourcing and incorporation opportunities.

### WHAT'S NEXT

Consistent with Canada's proposed regulatory initiatives for the incorporation of recycled content, we will strive to increase our recycled content in non-product contact packaging wherever it can be achieved without compromising required functionality.

We will initiate investigations with our milk crate suppliers to assess the possibility for further increasing the recycled content in this iconic reusable packaging solution.

We will maintain a focus on evaluating high-impact projects identified through supplier meetings, with prioritization on initiatives incorporating plastics where feasible.

## Spotlight

# 50%

of the material in our milk crates is sourced from post consumer recycled (PCR) resin sources.



## Circular Economy & Packaging

### COMMITMENT #2C

*Addressing problematic elements in our packaging by eliminating PVC plastics from all packaging by 2025.*

#### Our Objective

By 2022: Complete the usage identification of polyvinylidene chloride (PVdC) in our packaging and identify removal opportunities.

By 2025: Eliminate all plastics containing PVC from our packaging.

#### In Progress

...

#### OUR PROGRESS SO FAR

In 2021, we initiated activities to identify where we use both PVC and PVdC in our packaging and will be reviewing that data for removal opportunities.

PVdC and very little, if any, PVC were found to be used in our flexible films associated primarily with cheese packaging or other product contact barriers. Though present in small amounts, it is still important to remove these plastics from the recycling stream because they are seen as contaminants that degrade at lower temperatures compared to other plastics.

#### ONGOING PROGRAMS AND INITIATIVES

We are striving to increase the value of the recycling stream by addressing problematic materials in our packaging through a variety of measures. This will include the removal of problematic materials where possible, working with our recycling chain partners to encourage new recycling technologies and designing future packaging with identified constraints in mind.

All of these actions will play an important role in achieving 100 per cent recyclability and plastic packaging circularity.

#### WHAT'S NEXT

Moving forward, we will develop an action plan and roadmap to coordinate the removal of PVC and PVdC, with plans to move to recycle by design criteria, whereby material is capable of being recycled when there is commonly available recycling infrastructure in the region where we are processing product.

This will include the replacement of multi-material films with non-material films for cheese packaging. We will also look for the removal of problematic materials from the films used in seals and caps. We expect project identification in 2022-2023 and implementation by 2025.



## Circular Economy & Packaging

### COMMITMENT #3

Educate consumers through waste management information contained on all product packaging by 2025.

#### Our Objective

By 2022: All new product packaging introduced to the market will have clear, on-pack waste management instructions to help inform consumers.

#### In Progress

#### Our Objective

By 2025: 100 per cent of our product packaging will have clear, on-pack waste management instructions to help inform consumers.

#### In Progress

### OUR PROGRESS SO FAR

Towards the end of 2021, Canada partnered with the organization How2 Recycle to perform recycling assessments and provide on-pack recycling instructions for many of our products.

To begin, 10 new siggi's cultured product launches for January 2022 were submitted and evaluated. Recycling assessments and waste management instructions for siggi's yogurt tubs were generated in preparation for the launch. Overall, our first 60 products are under assessment and transition plans for existing SKUs are being built.

### ONGOING PROGRAMS AND INITIATIVES

In addition to How2 Recycle assessments, we are also looking for other ways to incorporate waste management information on products where labels may not permit additional logo application.

Clear on-pack recycling instructions will be generated for those applications based on regional recycling access and the types of materials used.

### WHAT'S NEXT

As indicated, moving forward by the end of 2022 all new product launches will contain clear on pack recycling instructions. Content for these instructions will be developed both internally or through third -party How2 Recycle.

As we perform product line renovations and the introduction of recycle-ready packaging we will add instructions to our existing products. In 2022 we plan to add clear waste management instructions to all Lactantia fluid milk products.

Transition plans for remaining products will be developed to coordinate with additional planned brand refreshes or pending regulatory changes to minimize the need to dispose of packaging.

## Spotlight

In preparation for a January 2022 launch, siggi's yogurt containers were assessed by How 2Recycle and found to be optimally recyclable. Our siggi's tubs will now bear the How2 Recycle info graphics for clear on pack recycling instructions



# Waste Reduction



## LET'S RAISE A GLASS TO SUSTAINABLE INNOVATION, PRODUCTION & CONSUMPTION!

Lactalis Canada is proud of its collaboration with Dairy Distillery, an Ontario-based artisanal distillery behind the milk-based craft vodka, Vodkow and Vodkow Cream.

Our Winchester, Ontario plant supplies Dairy Distillery with milk permeate, an unused lactose (milk sugar) and a by-product of ultrafiltered milk production. Using a special yeast, Dairy Distillery ferments the milk permeate to make alcohol for its Vodkow and Vodkow Cream spirits.

## REDUCING WASTE ALONG THE DAIRY SUPPLY CHAIN

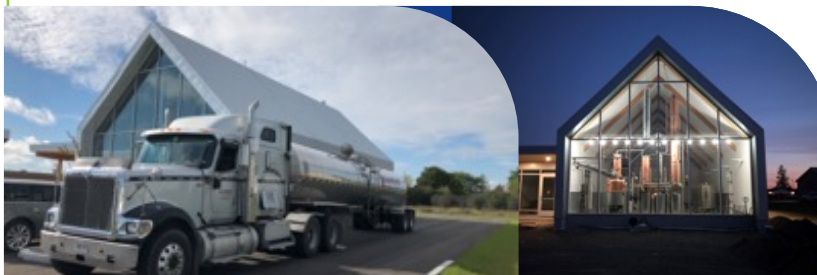
Reducing food loss and waste is an important strategy to help meet the UN Sustainable Development Goals by 2030, contribute to the Paris Agreement on climate change, and sustainably feed the planet by 2050 (World Resources Institute, 2019).

In North America, studies have shown that over half of food waste occurs at the consumption stage, with about 6 per cent occurring upstream at the processing stage.

To help reduce waste at the household or consumption stage, we standardize date labels and work with our packaging suppliers to maximize shelf life and freshness of our products.

In our manufacturing facilities, we focus on 'win-win' solutions that improve efficiencies, minimize waste, and upcycle or redirect usable losses. We train staff and use technology to optimize our operations by identifying waste, tracking temperature and ensuring freshness, assessing ripeness, better balancing demand and supply forecasts, and accelerating delivery of product from our facilities.

We also look for innovative alternatives to repurpose by-product in every processing step at the plants.



## DID YOU KNOW?

- Our Winchester, Ontario plant makes over 100,000L of milk permeate a day. Every bottle of Vodkow saves 3.7 kg of milk permeate from being wasted.
- Traditional vodka production starts with converting the starches from grains or potatoes into sugar. Lactalis Canada delivers permeate to the distillery in liquid form which means their proprietary yeast can start fermenting the lactose directly, significantly reducing energy and water usage and production time.

# Waste Reduction



## WHAT'S NEXT

In 2022, we will launch Lactalis Canada Next Ventures™, an intrapreneurship program which will ask all Lactalis Canada's employees for ideas on how we can reduce waste in all its forms, including finished packaged goods (food waste), capabilities, time, energy and resources, ingredients in the processing stages, and more. We believe the best ideas often come from those who know the business best.

**LACTALIS CANADA**

**next**  
**VENTURES**

How can we reduce waste?

Submit your idea today!



# ESG COMMITTEE AND CONTRIBUTORS (2021)

We would like to thank all those who have contributed to our 2021 Environmental, Social, and Governance (ESG) Report.

## CEO SPONSOR

Mark Taylor

## EXECUTIVE SPONSORS

Wissam El Khal  
Gilles Froment  
Katelin Mailer  
Vincent Metz  
Adrienne Pagot-Gérault  
Vasile Raileanu  
Martin Santerre  
Éric Séguin  
Xavier Suran  
Iven Zanardo

## ESG COMMITTEE CORE TEAM

### CO-CHAIRS

Olivier Charbonneau  
Julia Zakov

### CORE TEAM

Chirine Ben Amor  
John Dilley  
Anthony Leneveu  
Sameera Narang  
Roopa Shah

### SUB-COMMITTEE LEADS

People: Sandra Scollay  
Communities: Roopa Shah  
Products and Heritage: Aramik Moosakhanian  
Land and Resources: Anthony Leneveu

## COMMITTEE MEMBERS AND CONTRIBUTORS

### PEOPLE AND COMMUNITIES

#### People

- Kenza Akesbi
- Sandra Scollay

#### Communities

- Roopa Shah
- Sarah Sutton

### PRODUCTS AND HERITAGE

#### Food Safety

- Jennifer Boyles

#### Ingredients and Nutrition

- Shelley Crawford
- John Dilley
- Aramik Moosakhanian
- Maria Pepe
- Muriel Raguenaud

#### Milk Supply

- Thalia Buendia
- Olivier Charbonneau
- Gilles Froment

#### Animal Welfare

- Olivier Charbonneau

### LAND AND RESOURCES

#### Clean Energy, Climate Action, Life on land and below water

- Pierre Drolet
- Anthony Leneveu
- Julien Lissilour

#### Circular Economy

- David Accadia
- John Dilley
- Lorne Hietala
- Dennis Marijan
- Lalit Mehra
- Sameera Narang
- Ashley Turcotte
- Vanessa Veit

#### Reporting and Governance

- Chirine Ben Amor
- Jatinder Chera
- Nora Faina
- Rocco Iaboni
- Amandine Legrand
- Naomi Pieton
- Charline Primat
- Muriel Silva
- Matthew Soscia
- Maxime Vachon