



Cooperative Entrepreneurship in harmony with society

Milcobel sustainability report 2022

**Cooperative
Entrepreneurship
in harmony
with society**

Sustainability Report 2022





Inhoud

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Intro

Intro

Dear reader,

2022 was an eventful year for the dairy sector. On the one hand, it was a record year in terms of high dairy quotations and milk prices, but on the other, the sector faced ever-increasing expectations and requirements with regard to sustainability, and concerns related to the nitrogen dossier in Flanders.

Amid this reality, Milcobel focused on making the cooperative organisation future-proof. We focus on making sustainable choices in our own organisation and production, and also encourage our dairy farmers in the transition to more sustainable dairy farming by means of, for example, a sustainability bonus.

As a cooperative, we bring society, ecology and the economy together in a balanced approach that ensures a sustainable future for dairy farming. With respect for people, animals and the environment, we produce nutritious top-quality dairy products for people all over the world to enjoy.

We believe in a pragmatic and realistic approach to sustainability

Sustainability is not an end in itself. It supports our business. There must be a balance between ecology, the economy and society. One cannot exist without the other. Above all, our approach is pragmatic, realistic and achievable. Step by step, we are all moving towards increased sustainability. We are building on the efforts already made in the past by our dairy farmers and our employees. You can read more about it in this sustainability report.

To make our business operations more sustainable, last year we defined 10 themes for which we set clear targets. Based on a concrete action plan, we will work towards this objective in our company and at our sites.

Our purpose gives us direction

We aim to be a dairy cooperative that operates sustainably in harmony with society, which is justly rewarded and appreciated for its efforts both locally and internationally. This is also translated into our Sustainability Vision. 'Cooperative enterprise in harmony with society.'

Our sustainability vision covers the entire value chain, from cow to customer, enabling us to maintain high standards of quality, food safety and security, and sustainability. Milcobel is 100% committed to cooperation, connection and dialogue, with our customers, our dairy farmers, our employees and relevant stakeholders. Dialogue is a key word in this regard; we are a connecting cooperative where member participation is highly valued. Doing business together locally provides a foothold for this and future generations.

Together we create value for people and society

Our heritage and purpose guide us to adopt an approach that benefits people, animals and nature. After all, everything is connected: our dairy farmers look after green pastures and the welfare of their cows. And well cared for cows produce rich milk, which we use to make tasty authentic and high-quality dairy products such as our consumer cheese, mozzarella, cream, butter, milk powder, ice cream and whey. And the more people who enjoy our Belgian dairy products, the more our dairy farmers thrive. We are exploring potential partnerships across our entire value chain that will allow us to increase the valorisation of our milk flows, and are looking for ways to make our production more sustainable too. We include our employees in this scenario by implementing continuous improvement processes that are actually proposed by the teams. We are improving our safety culture and building an agile business with a major focus on the well-being of our people.

By doing what we do best, we contribute to a sustainable society and ensure that Milcobel and the local dairy sector can flourish, now and in the future. The more we work together, the greater our strength and our impact. Moving forward together with a sustainable approach!

Nils van Dam
CEO of Milcobel

Betty Eeckhaut
Chairman of Milcobel







About Milcobel

About Milcobel

Creating value by integrating sustainability

Milcobel is a reference in the international dairy market. We stand for quality, safety and customer focus. At our production sites in Belgium and France, we employ some 1,900 employees who passionately and expertly produce top-quality dairy products for our customers in more than 100 countries. Milcobel is synonymous with dialogue, transparency, reliability and sustainability. We want all links in the dairy chain to be involved, from milk collection on the farm, through production to customer sales. We believe in strong partnerships and long-term customer relationships.

Milcobel is a cooperative that collects, processes and sells milk from around 1,700 dairy farms. We offer our dairy farmer members guaranteed milk sales. Every day, our members are committed to delivering high-quality milk, which our employees convert into dairy products with the highest possible milk valorisation. Therefore, we strive for a fair milk price for our dairy farmer members.

A fair milk price is a key issue for the cooperative and in 2022, Milcobel achieved an above-average milk price for dairy farmers combined with good bonuses for quality, quantity and sustainability. Milcobel continues to focus on investments to make the cooperative more sustainable and future-proof. It achieves this by, among other things, investing in an ultrafiltration plant at the Langemark site as part of its partnership with Arla Foods Ingredients. The organisation is also committed to further operational improvements at its production sites to improve the safety of our people and the quality and sustainability of our products.

2022 was a year of many extremes for the sector. Due to various movements on the world market, international dairy prices rose to unprecedented heights, only to fall sharply again in October. This was reflected in the evolution of the milk price. At the same time, the nitrogen debate brings uncertainty for our dairy farmer members and our peers in the sector. Milcobel advocated working constructively and in consultation with the sector towards a realistic and fair nitrogen agreement.



1,700
Dairy farmers



1,898
Employees



1.4 billion litres
Of milk processed



€ 1.36 billion
Turnover



We supply top-quality products in a sector facing serious challenges

Milcobel operates in the dairy industry across a wide part of the chain. We process the milk from our dairy farmers at our own local production sites in accordance with strict quality standards. At our sites in Belgium and France we prepare cheese, milk powder, butter, cream, whey and ice cream, in accordance with the latest scientific and technological insights into nutritional, organoleptic and functional properties.



Milcobel's production activities are divided into three different Business Units.

Milcobel Consumer Products

Consumer Products makes delicious, high-quality cheese for the consumer market, both under its own brand and under a private label for various supermarket chains. Our customers range from large retailers at home and abroad, to the specialist cheese shop around the corner or on the market. What sets us apart from the competition? Top quality and taste! In 2021 and 2022, we launched our 'Eigen Bodem Kaas' (Homegrown cheese) range, accessible local alternatives to international bestsellers. With Dupont Cheese and Camal, we also supply our professional customers all over the world with exclusive and unique cheese.

Milcobel Premium Ingredients

Premium Ingredients is the partner of choice for high-quality and reliable dairy ingredients for customers in more than 100 countries. Our specialities are ingredient cheese (mozzarella and cheddar), milk powder, cream, butter and whey. Based on a customer-oriented approach, we create tailor-made applications of the highest nutritional, organoleptic and functional quality. In 2022, we were able to achieve impressive expansion on the Asian mozzarella market. Lastly, our subsidiary Kaasbrik provides additional valorisation of our flows by allowing us to now sell grated cheese to consumers.

YSCO

YSCO, an independent subsidiary of Milcobel, produces a wide variety of private label ice cream for Europe's largest supermarket chains. In this field we are one of the market leaders in Europe. Quality and service continue to be the main drivers for the ultimate customer experience. Our focus on innovation, sustainability and automation provides us with a strong position on the European ice cream market.



Milcobel Consumer Products



Milcobel Premium Ingredients



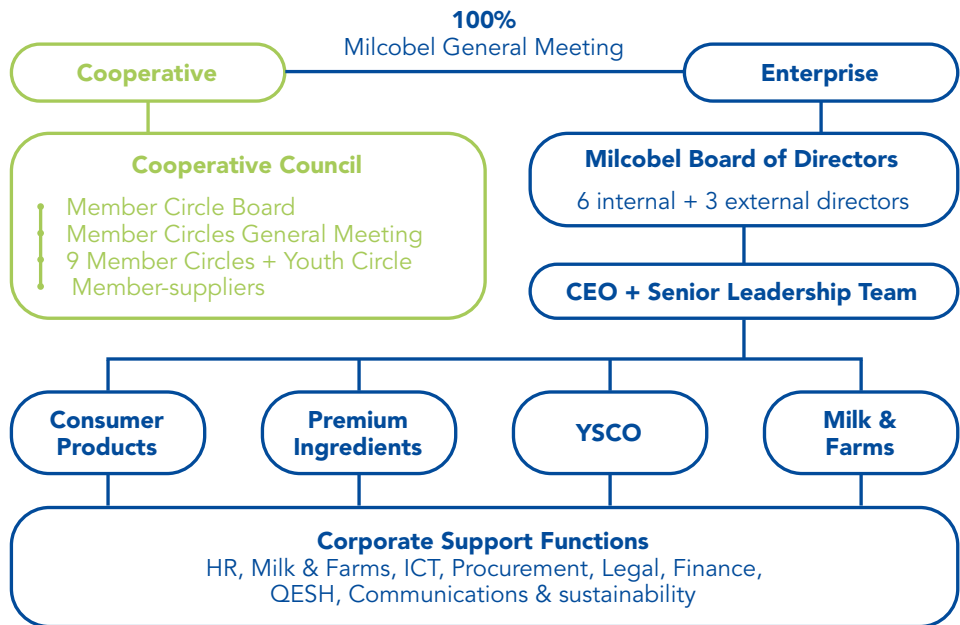
YSCO

Proud of our organisation and our partners

Being a cooperative we are a special business model, which is not solely profit-driven. We want to connect farmers with each other and with society. Our dairy farmers are united in nine member circles, each representing a geographical region, and a Youth Circle. They all have a delegation in the Cooperative Council, which advises the Board of Directors, and in the Annual General Meeting. This means every Milcobel member has a say. Our young farmers come together in the Youth Circle.

Our CEO Nils van Dam is responsible for day-to-day management of the company: the three Business Units led individually by the Managing Directors as well as the Corporate Support Functions supporting the Business Units. These support functions also include a Milk & Farms Department responsible for continuous cooperation with dairy farmer members.

Our structure



A four-way relationship with our members

Goal

Working together on a sustainable dairy sector and dairy industry in Belgium

Governance

Strong connectedness, participation by and dialogue with the farmers

Share ownership

Added value that is created flows back to the dairy farmers

Transaction

Striving for sustainable milk sales and a fair milk price in full transparency

Dairy farmers who choose Milcobel work together. With our view of the future, Milcobel provides dairy farmers with substantial benefits for conducting their business within a cooperative model. We reward quality and sustainability and offer our dairy farmers a sound market-based milk price.

- A sound standard milk price
- Commitment to quality through our quality bonus
- Sustainability efforts that pay off thanks to the individual sustainability bonus
- Pasture milk as a major attribute of our consumer products
- An important quantity bonus that supports growth



“Door onze boeren, voor onze boeren”





**Our
sustainability
vision**

Our sustainability vision

Cooperative enterprise in harmony with society

Sustainability applies to the entire chain. From cow to customer, we are working towards a sustainable future for local dairy farming and dairy processing.



Cooperative enterprise in harmony with society



Cooperative

The cooperative model serves as Milcobel's foundation. Furthermore, we believe in constructive cooperation between all stakeholders.



Harmony

Harmony means focusing on the chain as a whole, respecting the standpoints of the different stakeholders and striving for a common goal.



Enterprise

The farmer is essentially an entrepreneur, who considers initiative and sound business practice important. Competitiveness is also important for Milcobel. Entrepreneurship is an essential quality for our employees too.



Living together

Not only do the environment and our surroundings play an important role, but also people and the society in which Milcobel operates. Our vision focuses on the most important themes and trends, divided into several pillars.

In 2022, there was an acceleration in terms of sustainability. We saw an increase in the number of questions about sustainability, a tightening of requirements, from the market, customers and policy. Internally too, there was an acceleration and deepening in the way sustainability issues are looked at, and sustainability is increasingly becoming an automatic reflex in our business decisions. In 2022, our policy acquired a formal framework, priorities were confirmed and we took the first steps in implementing our action plan.

Milcobel operates in society as a whole. Both people and the environment are important. Milcobel seeks this balance in its approach to sustainability, in which one cannot have a negative impact on the other. Both elements must reach their full potential and this is why Milcobel participates in important themes and challenges. Because Milcobel has a place in that society and wants to build on its progress.

We also translate our vision into a formal policy. As a starting point, in 2020, we conducted a materiality analysis. We determined a list of relevant sustainability topics and challenges, and together with the Cooperative Sustainability Working Group, the Executive Board and senior management, we assessed the topics that are most relevant to Milcobel and its stakeholders, and where we can have the greatest impact. This included the views of external stakeholders.

We also looked at the risks associated with our activities throughout the Milcobel value chain. What are the main environmental risks we need to consider at our dairy farmers and our sites? Are there social risks associated with the raw materials we buy externally? What risks do our own employees face at our production sites? Are we doing what is necessary to ensure good governance? These are just a few examples of the themes that were assessed. Of course, we also look at the positive impact we can have, the role we can play as a cooperative and the opportunities this can generate.

The analysis led us to an overview in which we work around three pillars and include our most material topics. In order to adopt an action-oriented approach, we selected 10 priority themes on which we are accelerating our efforts. The other themes are also addressed in our daily operations or as part of regulated processes. Furthermore, we are monitoring developments related to the Corporate Sustainability Reporting Directive. Milcobel is aware of the double materiality principle and will take steps in the future to integrate financial materiality in the policy as well.

Our pillars

Milcobel believes that cooperative enterprise in harmony with society is built on **three pillars**:

- **Building a sustainable dairy cooperative:** the dairy cooperative of the future has the lowest achievable climate and environmental impact, is resilient and is committed to innovation.
- **A conscious decision to opt for sustainable business operations:** at Milcobel's production sites, efficient and environmentally friendly production processes must be key, and sustainability will be integrated in management processes such as purchasing. We want to gradually make our product range sustainable, from product quality to smart product packaging.
- **Focusing on people and society:** our aim is to establish sustainable partnerships with our customers, our employees and with stakeholders in the chain.



**A sustainable
dairy cooperative**



**Sustainable business
operations**



People and society

Within each pillar, we formulated three thematic areas each containing a number of ambitions, in association with the Cooperative Sustainability Working Group (with our members' active participation), with the senior management team and a delegation of our employees. In the coming years, we will also translate these ambitions into specific targets, actions and KPIs. In doing so, we will take a phased approach, defining our short, medium and long-term ambitions across the three pillars. We believe it is important to carry out this exercise together with our dairy farmers and our employees, so we come up with a strategy and action plan that is supported and endorsed by the whole cooperative and organisation.



**A sustainable
dairy cooperative**

Farming as part
of the solution

A resilient cooperative

Room for innovation
in farming



**Sustainable business
operations**

Focus on efficient
production

Strengthening
governance

Making our products
more sustainable



People and society

Devoting attention to
our employees

With a long-term
customer relationship

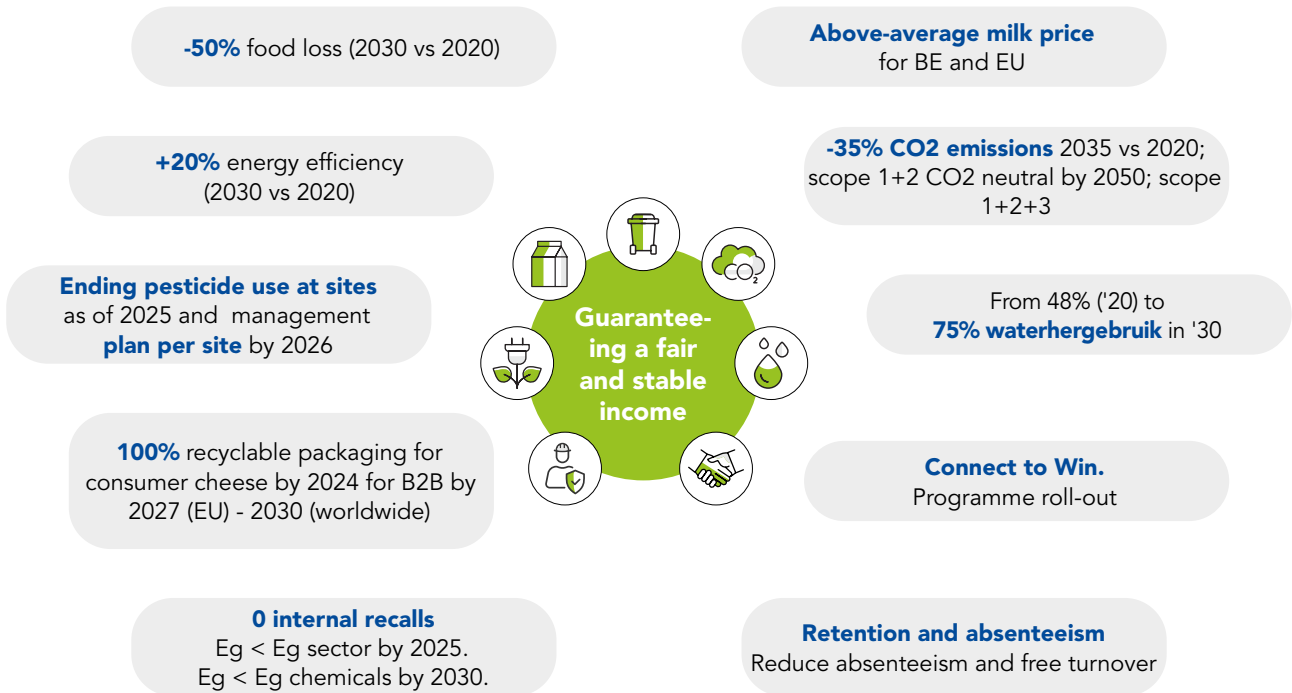
In association with
the chain

Our 10 priority themes

After establishing our policy framework and sustainability vision in 2021, in 2022 we worked on defining our priorities, measuring progress, defining actions and their owners. Ambitions were established for the first 10 priority themes and work will be carried out to achieve them in the coming years:



An initial target was set for each of these themes in 2022, as shown in the following diagram. These can obviously be further aligned in the future to reflect evolving expectations of policy, the customer, company and society.



The UN Sustainable Development Goals as a compass

The 17 United Nations Sustainable Development Goals (SDGs) also serve as a sustainability compass for Milcobel. They cover all aspects of sustainable development. Milcobel's various business units have already undertaken numerous actions contributing to all 17 SDGs in recent years within the framework of the 'Voka Charter Sustainable Entrepreneurship' (VCDO). The various actions in 2022 contributed to the following SDGs : 1,2, 4, 7, 8, 9, 10, 12, 13, 14, 16 and 17.

We also link our priority objectives to the SDGs.

Milcobel can contribute most to SDGs 2, 13, 6, 7, 9 and 12 with an 'outside-in' approach.



Our organisation is focused on creating support ...and thus on achieving results step by step

To further shape and roll out our sustainability strategy, it is important to create support for it, both among the cooperative's members and internal employees. Interested dairy farmers can join the Cooperative Sustainability Working Group, which meets regularly, with the latest sustainability topics on the agenda.



Cooperative Sustainability Working Group ensures member participation

Throughout 2022, Milcobel organised three on-site working sessions with the Cooperative Sustainability Working Group to discuss sustainability challenges for the dairy sector and possible policies. We actively engaged with this diverse group of dairy farmers on a variety of topics. Each session was accompanied by a visit to an inspiring location, such as ILVO, Inagro and Hooibeekhoeve, where experts explained themes including greenhouse gas emissions and the impact of nitrogen, animal welfare, energy efficiency, circularity, soil care, water and a fair milk price, etc.

This working group always provides feedback to the Board of Directors in the form of conclusions or viewpoints. For the production sites, Sustainability Manager Ruben Puype monitors the further development and follow-up of the sustainability plan.

Together with senior management and relevant colleagues and working groups, the action plans for each theme are discussed and owners are selected to implement the actions in their specific Business Unit or support service. Discussions on investment requests and progress on priority themes takes place on a quarterly basis in the management team.



Developing policy together is a core idea at Milcobel

In March and December 2022, we organised workshops and information sessions with our senior management team to further shape the sustainability action plan and inform the teams about it. Within the outlined pillars and priorities, the teams discussed possible actions and objectives as a group.

We take a pragmatic approach together with our stakeholders

The strength of the cooperative means that we think long-term, including about sustainability. Societal changes are a reality, we need to pragmatically respond to them and use them to create opportunities. Besides our internal stakeholders, our external stakeholders also play an important role in this regard.

Customers: together with our customers, we want to examine how we can support their sustainability goals. Whether it's sustainable packaging, avoiding food waste, or sustainable projects that benefit our farmers. We also receive an increasing number of questions about our sustainability efforts across the entire value chain. In 2022, we developed a climate policy plan in which we indicate our climate policies. We also undergo multiple audits and certification processes to have our efforts monitored and assessed.

Research institutions: Milcobel cooperates with ILVO, VLAIO and Flanders' FOOD, among others, to stimulate research around sustainable dairy farming and put it into practice among our dairy farmer members.

Suppliers: Milcobel's ambition is to look beyond the purely transactional aspect and to genuinely engage in dialogue and partnership with our suppliers in order to jointly achieve our shared visions. We conduct a comprehensive product risk screening and supplier assessment.

Product partners: tasty local products and the link between farmers, produce and consumers are important to us at Milcobel. This is illustrated by our partnerships with the Abbeys of Westmalle and Averbode and the collaboration with Héritage 1466 (Herve). We also signed a new partnership with Arla Foods Ingredients for whey valorisation.

Policymakers: Milcobel talks to policymakers about the future prospects of (young) farmers. Farming today is under severe pressure and more and more farmers are abandoning the sector. Nevertheless, ensuring the craft remains appealing to young dairy farmers is a necessity for our own food supply. Step by step, we can work together, offer farmers a new lease of life and assure ourselves of sustainable, healthy and local food in the future too.

Sector federations: Milcobel maintains constructive dialogue with sector federations such as Boerenbond and ABS (General Farmers Syndicate). Milcobel is also active in important organisations such as BCZ (Belgian Confederation of the Dairy Industry), Fevia (Federation for the Belgian Food Industry) and VLAM (Flanders' Agricultural Marketing Board).



Transparent Communication and the importance of audits and certificates

We also want to measure and communicate our sustainability efforts to our stakeholders. Besides publishing a sustainability report, we also seek external validation through audits and certificates. Milcobel is a member of Sedex and United Nations Global Compact. At the request of customers, Milcobel also undergoes audits such as Ecovadis, SMETA (Sedex Members Ethical Trade Audit) and IFS (International Featured Standard) food. Our subsidiary Ysco is also certified organic, RSPO, RFA and Fairtrade.

Audits



Proud to be a
Sedex²
Member



Certificats



FAIRTRADE

Milcobel became an SDG Champion in 2022

As one of 28 Belgian companies, Milcobel received the SDG Champion certificate from UNITAR (the United Nations Institute for Training and Research) through CIFAL Flanders. It recognises the sustainability efforts made by Milcobel's employees. The certificate is only awarded to companies that successfully complete an approved case study and accomplish actions for each of the 17 SDGs. More info can be found at <https://www.voka.be/vcdo>



We are all part of the same ecosystem ...

... and are all responsible for taking care of it. We are becoming increasingly aware of the impact of our choices. Not only the economic impact, but also the social and environmental impact.

Ruben Puype

Corporate Sustainability Manager

04



**A look at our
accomplish-
ments in 2022**

Our achievements

We aim to be a dairy cooperative that operates sustainably in harmony with society. As an organisation in full transition, we have already set a number of targets and can look back at a whole range of achievements in 2022. In the short term, our objective is to further embed sustainability in the overall business strategy and in the long term, to fully integrate sustainable thinking in our entire value chain.

1 Sustainable dairy cooperative

1.1 Agriculture as part of the solution

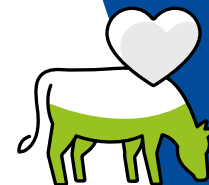
1.1.1 Side by side, step by step

The challenges facing Milcobel and its dairy farmers are considerable. We strongly believe that dairy farming is part of the solution. We want to inspire our members and jointly seek viable initiatives to reduce our climate and environmental impact, build a resilient cooperative and proactively engage in innovation in agriculture. Ecology and the economy go hand in hand with this task. Moreover, we are tackling this challenge in times that are not easy, when the agricultural sector is under pressure. It is precisely at such pivotal moments that we can make a difference with our cooperative approach.

As the leading dairy cooperative in Belgium, we attach great importance to measuring and communicating the sustainability efforts made by Milcobel dairy farmers.

Milcobel encourages all dairy farmers to adopt more sustainable practices, each at their own pace and in accordance with their own capacity. In 2014, a sustainability project was launched with members of the Belgian Confederation of the Dairy Industry (BCZ). A sustainability monitor was created, a questionnaire focusing on sustainable practices that is submitted to dairy farmers every three years during the IKM audit.

In 2019, Milcobel decided to conduct the survey annually and in 2020, Milcobel introduced an individual score per dairy farmer. This showed that Milcobel dairy farmers scored better than the Belgian dairy sector average and this trend continued in 2022. Those who commit to themes such as animal welfare, energy, the environment, animal nutrition, climate, water and soil and social responsibility receive a bonus for doing so. The maximum bonus Milcobel paid farmers for their sustainability efforts was up to €0.5/100 litres in 2021. This was doubled to €1.00/100 litres in 2022.



We benchmark our members' results against the rest of the Belgian sector. We also consider it important to maintain dialogue with members, the sector and government, to pursue solutions through a shared vision as much as possible.

As a cooperative we can play a role in communicating the efforts made by our dairy farmer members on sustainability issues. Through our dialogue with dairy farmers and the results of the sustainability monitor, we see that they have the will and motivation to be part of the solution. Therefore, they want to make those efforts visible to the general public, thus asking for respect for their efforts. For this purpose we are keen to share this message in our communication. It is about making the right choices, and also requires clarity in policy and the necessary support to implement transformations.



As dairy farmers, we are broadly committed to ...

all kinds of relevant sustainability topics and are taking steps in this regard. Step by step, in the past, present and also in the future.

Vanessa Van Eynde

Vice-chair Milcobel Board of Directors



1.1.2 Animal health & welfare

Every day, our dairy farmers attach great importance to the welfare and health of their cows and take numerous measures to this end. Animal care is prioritised and regulated. All our members must also obtain IKM (Integral Milk Quality Assurance) certification in which animal health and welfare are jointly assessed. Dairy farmers' efforts are also measured through the sustainability monitor, resulting in an average performance score of 77% for the animal health theme and 79% for the animal welfare theme in 2022. On both themes, Milcobel members score about 15% higher than the industry average.

1.1.3 Climate and energy

Milcobel is aware of its responsibility to contribute to reducing the effects of climate change. Step by step, we are putting our weight behind transition-related initiatives.

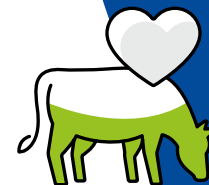
Supporting dairy farmers to reduce greenhouse gas emissions

We encourage and support our dairy farmers in obtaining insights into their own carbon footprint and continuously reducing it per litre of milk. Milcobel is committed to actively informing its cooperative participants in the future and focusing on knowledge building among members, via training and education, as well as by communicating examples of good practices. The Belgian sector federation BCZ, of which Milcobel is a member, has committed to reducing enteric methane emissions by 30% by 2030 compared with 2020.

Making the entire chain more sustainable is an absolute priority for the Belgian dairy sector. For several years now, the dairy sector has been involved in numerous efforts to further reduce CO₂ emissions and is relentlessly looking for ways to adapt and further improve. For example, the carbon footprint of 1 kg of raw milk in Flanders fell by no less than 30% over the past 20 years.

Exploiting opportunities for energy efficiency and renewable energy on dairy farms.

We support our cooperative participants in optimising their energy consumption. We plan to actively communicate the most common solutions and cost-saving benefits by 2023, through education and training, as well as the dissemination of good practices. We also encourage them to adopt energy-efficiency measures and renewable energy through a sustainability bonus. In 2022, we launched a pilot project to build an energy community with interested dairy farmers, to optimise energy consumption among members.



55% of Milcobel dairy farmers are actively making efforts to reduce their energy needs and transform the resource. More than half of our members currently generate their own renewable energy. This average is more than 10% higher than the sector result measured by BCZ.

1.1.4 Environmentally friendly soil and biodiversity

Our natural world consists of a staggering biodiversity, or species diversity. It includes all species of plants, animals and microorganisms, and their genetic variations. All these species work together in an ecosystem, creating balance in nature. Milcobel considers it important to help protect biodiversity. We use pragmatic policy to encourage our member-suppliers to devote more attention to biodiversity and healthy soil.

Increasing knowledge of biodiversity among dairy farmers

Milcobel wants to actively inform and advise its dairy farmer members on how they can take measures to boost biodiversity and reduce emissions, primarily of nitrogen. We do this through education and training, as well as by communicating examples of good practices. Another of our priorities is to increase knowledge within the sector by contributing to research in association with ILVO.

Promoting soil care and carbon farming

For dairy farmers, soil is important for fodder production. Effective and innovative soil management ensures that soil becomes more resilient to climatic extremes, necessary to ensure continued fodder production.

Moreover, we can capture CO₂ through carbon build-up in the soil. This will require further change: traditional crops and soil cultivation methods must be supplemented by more sustainable methods such as the cultivation of leguminous plants, non-inversion tillage and other techniques.

Conscious use of chemicals and fertilisers

Livestock farming is part of a natural nutrient cycle; we aim to reduce the use of chemicals and fertilisers.

As a rule, our dairy farmers hold a phyto license, which means the dairy farmer is trained to use pesticides judiciously and safely. Farmers who commit to a soil analysis and a fertilisation plan to apply target fertilisation obtain extra sustainability bonus points.

Our dairy farmers do not use antibiotics preventively and receive a bonus for compiling an action plan for responsible antibiotic use. The majority of our members apply selective or environmentally friendly control of insects, mites and parasites, such as fly plates, insect traps and fly lamps.

77% of our members take far-reaching biodiversity-stimulating measures. This result is also 20% above the sector average.

1.1.5 Reducing the water footprint of our dairy farmers

A dairy farm consumes a lot of water: 75% of water consumption is drinking water for the cows, 20% is used for cleaning the cooling tanks and milking machines. There may also be water consumption for crops to achieve self-sufficiency in fodder crops. Water is a precious commodity both from an economic and environmental perspective, so both the farmer and environment gain from reducing milk's water footprint.

Milcobel aims to support its cooperative participants in this endeavour by, for example, using water scans and providing tailor-made water advice and education and knowledge building among members. Our members are also encouraged to use water sustainably through our sustainability bonus. (E.g. utilising rainwater, how to use less water, how to use low-value water, water retention and infiltration, etc.). 72% of our members take water management initiatives, which is 35% higher than the sector average.

A visit to Biezenhoeve in Watou - pioneers in reducing the impact on the climate

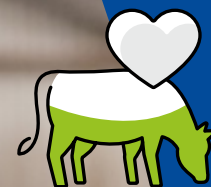
At Biezenhoeve, Geert and Sofie Vandenbussche/Vanpeperstraeten strive to balance ecology, the economy and social sustainability in the broad sense. They are involved in several sustainability initiatives with ILVO (Jongvee, Langleven, Klimrek, DJustConnect) and VLAIO. Their business activities include dairy cattle and arable farming, and Sofie has developed a wide range of agricultural offerings, including the team-building concept Farmfun, farm visits and school farm classes.

The enterprise focuses on all the sustainability themes, but particularly sees an impact in reducing enteric emissions through feeds, energy management and water management. By adjusting dairy cattle rations, dairy farmers can adjust methane emissions. Today, there are several additives on the market that influence rumen function and reduce methane production. A recently approved newcomer is the additive with nitrate as its active ingredient. Adding 1% of nitrate-rich feed can reduce methane emissions from dairy cows' digestion by 10% on an annual basis. This pioneering work was a journey of trial and improvement until the optimal texture and dosage was obtained.

“

The feeling that as a dairy farmer you have a say in decisions is very important for us, it creates a connection. Open, transparent communication gives us a deep insight into the ins and outs of the dairy sector. We appreciate the communication and the way Milcobel rewards sustainability efforts

Sofie Vanpeperstraete



As farmers, we think about ...



... the climate and believe we hold some of the keys to change. One of those keys is innovation. By collaborating in the chain with research institutions we can trial research in practice and prove that sustainability and viable agriculture can go hand in hand.

Geert Vandenbussche

Dairy farmer at Biezenhoeve in Watou

1.2 A resilient cooperative

A cooperative is a special form of enterprise. In the cooperative, the dairy farmer is co-owner of the company that valorises milk, thus creating a market-based milk price. Every member has the opportunity to have his/her say and participate in policy. The profits made by the business flow back to the member-suppliers in the form of the milk price, cooperative refund (back-payment) and dividends. In a private company, the farmer is purely a supplier of raw materials and the added value goes to the private company and not into the farmer's wallet. In addition, the cooperative creates added value by sharing knowledge and information. This makes every member stronger.

1.2.1 Value creation for dairy farmer members with a fair income

In 2022, Milcobel achieved a historically high and above-average milk price of €55.7/hl on average for dairy farmer members, up 50.9% compared with 2021. This includes bonuses for quality, quantity, and sustainability. The maximum sustainability bonus was increased from €0.50 to €1 per 100 litres of milk, provided as an incentive to commit to sustainable initiatives.

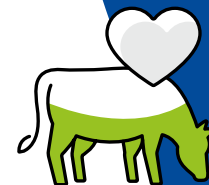
1.2.2 Cooperative as the core idea, also in terms of sustainability issues

Cooperation is in our DNA. Cooperation, and physical encounters form the basis of a cooperative. This was not possible for a long time due to Covid-19. Only now, when we can see each other again in the flesh, do we realise how important it is to communicate what we do and why. Therefore, it was really great to be able to organise meetings with our cooperative participants again in 2022. Our general membership meeting was a success and we achieved two iterations with the boards of our 10 member circles. Our Cooperative Sustainability Working Group and Youth Circle also met regularly.

During these opportunities for dialogue, we noticed three main trends:

- The basic attitude of dairy farmers at the helm of the cooperative is one of determination and drive to be part of the solution.
- Knowledge and technical expertise related to sustainability topics is growing.
- Commitment and vision about possible future scenarios is on the rise. Sustainability has become an integral part of business strategy.

In 2023, we will continue to adopt a focus-oriented approach. We will also focus on further embedding sustainability principles, including through the sustainability bonus, knowledge sharing, education and training. We also actively seek impactful partnerships, especially in research and innovation.



Our young farmers come together in the Youth Circle, for which we organise lots of initiatives. In 2022, the Youth Circle embarked on a journey to explore the entire value chain, from farmer to processing to retailer to citizen. Our youth members were able to share experiences and learn from physical visits to other dairy farmers, production sites and the distribution centre of retail group Colruyt, among others.



As a cooperative ...

first and foremost Milcobel wants to be a partner for its dairy farmer members in the transition the sector needs to undertake. We are seeking solutions together. We do so in a pragmatic and empathetic way, bearing in mind the situation of current and future generations of dairy farmers.

Tom Schiettecat
Director Milk & Farms

1.3 Room for innovation in agriculture

Research and innovation offer considerable potential for making the transition to more sustainable dairy farming and agriculture in general a reality. Today, research into feed, energy, water management and crop management, etc. is characterised by a major technological component, which is data driven and in some cases even involves artificial intelligence.

1.3.1 ILVO

Since December 2014, Milcobel has supported ILVO's scientific research into sustainable farming techniques, both financially and through the active participation of our dairy farmer members in pilot projects. By signing a cooperation agreement, the Research Institute for Agricultural, Fisheries and Food (ILVO) and Milcobel joined forces to make dairy farming a lot more resilient. The intention is to accelerate scientific research around dairy cattle and the climate through intensified cooperation and also to translate this into practice more quickly. Read more about the Klimrek, JONGLEVEN, ECOPTI, GRASTECH, DJUSTCONNECT, HappyCliMi and KLIMGRAS projects here.

Milcobel cooperates with ILVO research into making dairy farming more sustainable

Klimrek (2018-2022) and Klimrekplus (2022-2023): Klimrek provides farmers with the tools to effectively implement climate measures on the farm. At farm level, a climate-oriented sustainability process is initiated with a climate consultant, taking into account the feasibility of measures for the specific farmer concerned and the impact of these measures ecologically as well as economically.

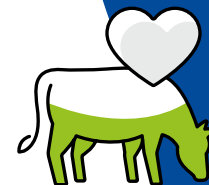


JONGLEVEN (2018-2023): Improves the life production of dairy cattle by optimising the nutrition and management of youngstock in Flanders.

EKOPTI (2019-2022): The VLAIO project EKOPTI aims to refine the protein and phosphorus supply in cattle diets so that feed protein can be utilised more efficiently. It seeks to reduce nitrogen and phosphate excretions as well as ammonia emissions to the environment in an economic and ecological way.

GRASTECH (2019-2022): Precision farming applies technology to tackle, for example, greenhouse gas emissions from grazing cattle, examining the extent to which we can use sensors and precision farming techniques to identify methane emissions from grazing cows in pastures, and then reduce them through management interventions.

DjustConnect (2018-2022): DjustConnect provides a digital infrastructure for securely sharing data related to agriculture. The DjustConnect project is an ERDF (European Regional Development Fund) project in collaboration with Milcobel, ILVO, the Boerenbond, CRV and DGZ.



HappyCliMi (2021-2025): The HappyCliMi project aims to provide short and medium-term feeding strategies that support the Flemish Covenant on Enteric Emissions. An earlier study found that adding beer draff in combination with rapeseed meal had a bacterial effect on cow methane emissions. HappyCliMi is a follow-up to this and investigates why this effect occurs and examines whether other by-products are available that can also be included in the ration resulting in methane emission reduction.

KLIMGRAS (2020-2024): The aim is to make the use of more resilient and drought-tolerant grasses (tall fescue, perennial ryegrass and Festulolium), whether or not in combination with clover, feasible and integrable in local dairy rations. Sustainable grassland exploitation not only strives for climate adaptation, but also climate mitigation, namely through soil carbon storage or retention, by limiting nitrogen fertilisation and by pursuing high digestibility.

1.3.2 Claire (new credits for new farmers and more local compensation)

In 2021, Milcobel was the first company to launch a partnership with the start-up Claire, which stands for Clean Air. Through Claire, Milcobel can offset part of its CO₂ emissions through Belgian sustainable farming projects, including carbon farming with local farmers. Farmers participating in carbon farming are deliberately changing the way they farm their pastures and arable fields so that more carbon is stored in the soil. Companies can purchase carbon credits through Claire to support sustainable projects with local farmers. With this partnership Milcobel hopes to boost carbon farming in Belgium and inspire more companies to support our farmers' local sustainability projects. Four local projects are currently being supported and we have positive expectations for the future.

1.3.3 Energy community

Needless to say, in today's energy crisis, solutions are being sought for the energy needs of the future. The large areas available to dairy farmers provide an opportunity for cooperatives to become part of the solution in the energy transition, for energy generation and storage. In the process, a cooperative could be formed in a community. Following a call among dairy farmer members, 18 dairy farmers applied to join a pilot project exploring the opportunities offered by an energy community. The pilot examines the way the community works, the potential of energy sharing and the ROI of investments needed for the different scenarios.

2 Sustainable business operations

We are also fully committed to sustainability at our production sites. We avoid waste by focusing on improving efficiency. Energy, water, food, raw and other materials are all scarce products and their efficient use is the message. We also want to maximise our commitment to circularity by reducing our waste and maximising the valorisation of waste and by-product flows. In parallel, we are committed to good governance in which we ensure the necessary inspections and follow-up to properly manage the impact and risks throughout our value chain.

2.1 Focus on efficient production

An organisation like Milcobel obviously has a big impact on the environment. Dairy processing is an energy and heat-intensive industry, where the highest quality standards must be maintained. Our people in the production and processing sites in Moorslede, Langemark, Kallo, Halen, Bruges, Barchon and Argentan (FR) work hard every day to make the right choices. We pursue continuous improvements aimed at maximising water recovery, the circular use of heat flows and focus on sustainable product choices that allow us to avoid and reduce waste flows. We monitor the quality of our products based on a best-in-class attitude and deploy our research and innovation network. The environment team reports to our management team on a quarterly basis and has developed a dashboard of key indicators for this purpose.

2.1.1 Our carbon footprint as a guideline for our climate action plan

Milcobel endorses the Paris Climate Agreement and the European Green Deal. Reducing greenhouse gas emissions is vital if we are to achieve these international and European climate targets. Milcobel is aware of its responsibility to contribute to reducing the effects of climate change and sets the following objectives for this purpose. At Milcobel our ambition is to reduce our carbon footprint by 35% by 2035 compared with 2020 for scope 1 and 2.

In 2022, Milcobel achieved 59,856 tonnes of CO₂ equivalent for scope 1 and 2. This equates to 25% fewer emissions compared to the base year 2020. Our Premium Ingredients business unit accounts for the largest share, 75% of emissions at our production site. Across all business units, gas consumption is the largest source of emissions, followed by purchased electricity and fuel for transport.

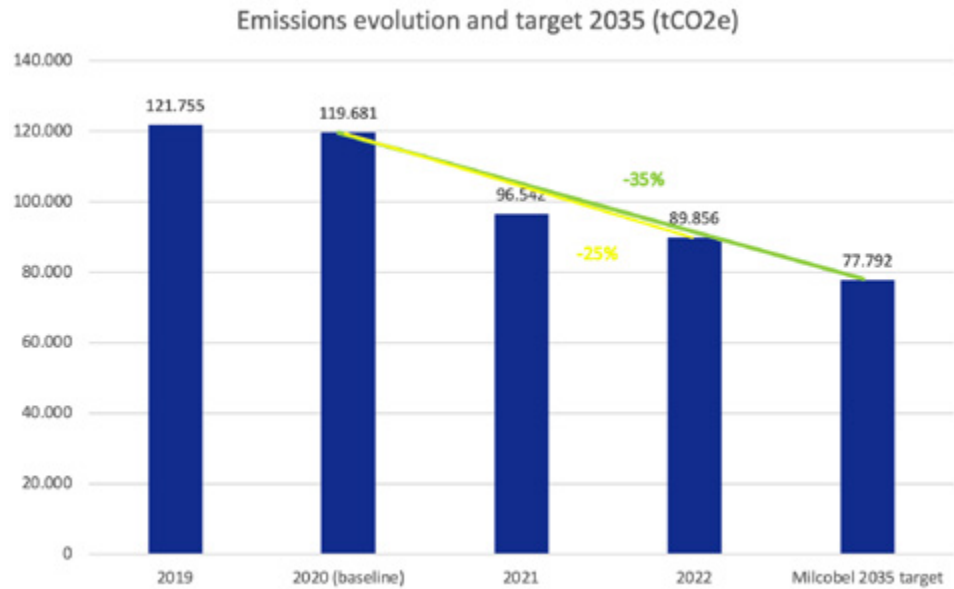


Figure 1: Evolution of tCO₂e over the years and compared to the base year 2020 and target year 2035 for scope 1 and 2.

Milcobel's carbon footprint is calculated according to the GHG Protocol based on source data from Milcobel for the Langemark, Kallo, Halen, Moorslede, Bruges, Barchon and Argentan sites. Validation is carried out by Southpole.

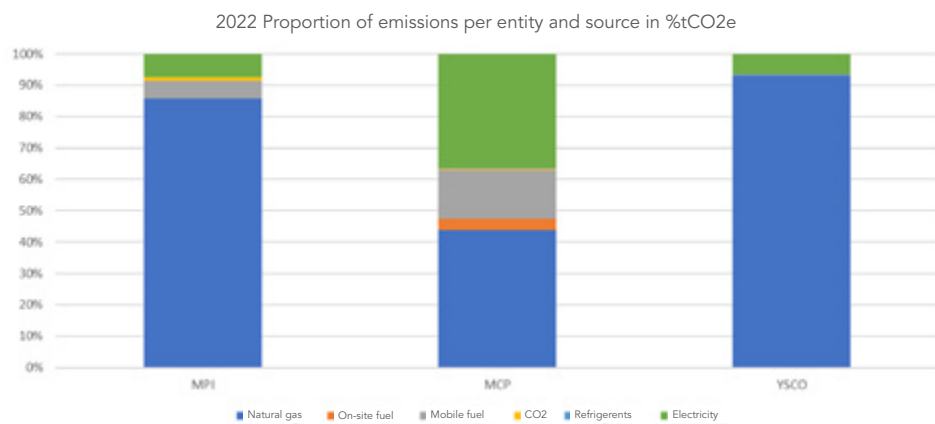


Figure 2: Proportion of emissions per entity and source in % tCO₂e in 2022

In 2022, Milcobel also embarked on establishing the scope and collecting data to calculate the organisation's scope 3 emissions. The initial version will be available in 2023 and will also offer the opportunity to gain greater insight and determine actions to also reduce scope 3 emissions as part of Milcobel's broader climate action plan. To monitor and validate this plan, Milcobel will join the Science Based Target Initiative (SBTI).

Since energy-related activities account for most of the emissions, Milcobel is highly committed to efficient energy conversion processes. Two thirds of our production sites use a CHP to efficiently produce electricity and steam. At one of our production sites, we use a heat grid to heat process water using residual heat, and through the Flemish Energy Policy Agreement (EBO), we are committed to effectively implementing economically viable measures and we compile the required investment plans.

To this end we set two sub-objectives:

- To increase our energy efficiency at the production sites by 20% by 2030 (vs. 2020).
- To make our vehicle fleet more sustainable: all milk collection trucks have complied with the Euro 6 standard since 2021, and the first two trucks are equipped for electric milk pumping, eliminating the need for the engine to be kept idling while loading. The transition towards full electrification of our commercial vehicles by 2025 has begun. To achieve this, the first EV charging points were also installed at our sites in 2022.



To achieve major steps ...

... in our climate action plan we are taking a site-wide approach. We share knowledge and focus on training. As a result, everyone's strengths are highlighted and we see best practices in practice.

Evi Pingnet
Environment Coordinator





2.1.2 Water (data)

Given our high water requirements, responsible water use is an absolute priority at our dairy processing sites. Our water requirements primarily involve cleaning activities: milk collection trucks, tanks, pipes, processing plants, etc. All our sites have their own water treatment plants or discharge into a public sewer connected to a water treatment facility. We do not use any groundwater, and about half of the total water requirement in our plants consists of water recovered from incoming milk. In the future, we also want to further reduce our dependence on mains water and increasingly purify our wastewater to prevent any negative impact on water and the environment.

- By 2030, we aim to generate 75% of the water we consume at the sites from recovery (from milk) and reuse. In 2022, the average was 42%. This is a small reduction compared to the last two years, which is partly due to lower milk powder production in Langemark. In 2023, a pilot project (part of the Blue Deal) will start in Langemark to produce water of drinking water quality from wastewater.
- In at least one of the production sites, wastewater will be fully treated to drinking water quality to satisfy virtually all the site's water requirements.

In 2022, the team focused on training, during which environmental coordinators concentrated on internal knowledge sharing and external knowledge building.

2.1.3 Smart material choices, promoting circularity and reducing waste

Resources and materials are precious, which is why we use them as efficiently as possible. We strive for the circularity of raw and other materials by minimising food loss, maximising the valorisation of residual flows and innovative product packaging.

Innovative product packaging with a focus on reduction, recycling and reuse

Packaging plays a crucial role. It ensures product quality, food safety and reduces food loss. Consumers are considering the sustainability of product packaging to be increasingly important.

For our consumer cheese we try and avoid or reduce packaging as much as possible. In addition, we almost exclusively use recyclable packaging. Packaging for milk powder and ice cream was previously given a makeover that significantly reduced the amounts of plastic and cardboard. Packaging plays a vital role in preserving dairy products. It significantly extends shelf life and thus greatly reduces consumer food loss.

We are concentrating on four areas that we tailor to the specific business unit within Milcobel. Similarly, customised targets are developed for each business unit that focus on a positive impact.



Reduce

Towards less or no packaging



Reuse

Where possible



Recycle

Keep everything in circulation



+ Raw material

Environmentally friendly raw materials

Our aim is

- To reduce it further where possible. From now on, the lids on pots of cubed cheese will be omitted. This provides an expected reduction of 40 tonnes of plastic per year.
- To use 100% recyclable cheese packaging by the end of 2024.
- To use 100% recyclable packaging for the Europe B2B market by 2027 and globally by 2030. We will increase the proportion of recyclate where economically possible, taking into account food safety and shelf life.

Ysco has completely switched

to transparent PE film with 30% PCR (post consumer recyclate) for shrink film (secondary packaging). In addition, we can now offer our customers transparent PP film (primary packaging) with 30% PCR for jumbos.

Minimising food loss, valorising by-products and reducing waste

Milcobel considers it a priority to map, monitor and improve our residual food and non-food related flows.

Within the food-related residual flow, we adopt a strategy involving the maximum reprocessing of safe food residues (such as trimmings) into new products, or we distribute them through local initiatives. For non-food related waste flows, we adopt the principle of prevention (or reduction), sorting, recycling and, as the very last option, incineration.

No waste is dumped. Our largest non-food related waste flow is sludge from our water treatment systems.

- Our goal is to reduce food loss by half by 2030 compared with 2020, and to maximise the valorisation of by-products from all sites. We aim to achieve this by further reducing non-conforming and second-choice products, further reducing scrap, reducing milk production loss and continued research into new innovative valorisation opportunities.



Our employees are firmly rooted in reality every day.

They can see perfectly what is going well, and where there might be room for improvement. The aim of our 'Continuous Improvement' programme is to bring to light ideas from the shop floor, and implement them. Improvement projects can be minor, simple interventions that get resolved quickly, but some projects require a bit more time and effort. They could be projects that make your job easier, save you time, make your work more efficient, or, for example, produce a greater yield or reduce waste.

Employees can make improvement proposals at any time. They not only report what we

could do better, but are immediately asked to propose a solution to the problem, and outline the impact. They actively reflect alongside us. Every two weeks, a smaller team discusses whether the solution is feasible. We provide feedback by mail and via the physical board in production. For improvement proposals that are accepted, we communicate the actions that will be taken. For improvement proposals that are not accepted, we clearly explain why the proposal could not (yet) be accepted. We really see this is starting to take off, and are receiving more and more proposals. People are very enthusiastic when they see their ideas actually taking shape. It's contagious.

Elisa Iacopucci

Continuous Improvement Lead Langemark



Embedding continuous improvement with everyone, at all our sites

In 2021, a small multidisciplinary team started implementing the Kaizen method at our Langemark site. [Kaizen is a method that involves all employees in an organisation to make continuous, small incremental improvements to achieve a better work and production process.] In 2022, the team expanded to include the site in Moorslede. The team worked on a formal process to gather questions and improvement proposals, formulate solutions, implement improvements and, above all, celebrate the small successes with employees. The focus of the improvement actions is mainly on reducing food loss, reducing scraps, valorising residual flows and reducing waste flows. Here's an example:



- Ysco: we can reduce food loss by using a new type of homogeniser that reduces loss across the production process. With a homogeniser, the raw materials for the ice cream are processed very homogeneously. Initial loss was 1.6%. The new homogeniser has reduced it to less than 0.4%. This reduces the loss by almost 1,000 tonnes per year.

Widely communicating progress and results provides inspiration, as several colleagues continue to spontaneously put forward additional ideas. This approach with multidisciplinary teams will also lead to new improvements in 2023. By extension, the sites in Kallo and at Kaasbrik are getting involved and we are providing additional training for applying this method.



The biggest success factor is ...

... getting people on board at all levels. This is a continuous process of asking questions, involving people in the story, giving feedback and, above all, showing empathy. If colleagues are on board, it leads to practical solutions that can have a major impact. That's why it is essential to include the leadership in this thinking and to invite all employees to get involved.

Erik Coeckelbergs
QESH Director

2.1.4 Biodiversity

By using some ingredients for our dairy products such as palm oil, cocoa or, for example, paper for packaging, the sector is indirectly subject to risks of deforestation and the further decline in biodiversity. By adopting a pragmatic policy, we encourage our suppliers to avoid this indirect impact. Milcobel is committed to ensuring that our activities do not promote deforestation anywhere in the world. The direct activities of Milcobel and its members do not involve deforestation. Milcobel is aware of the potential indirect impact of its purchasing non-milk-related raw materials and is committed to limiting that impact within our own sphere of influence.

As part of our biodiversity restoration plan, we aim to avoid pesticide use at our production sites by 2025, except in the context of selective pest control. By the end of 2026, we will draw up a management plan for the sites to provide more opportunities for biodiversity development in the business parks.

2.2 Strengthening governance

As a major player in the national and international dairy processing industry, we bear responsibility for accountable and proper business management in the broad sense of the word. This involves complying with the general regulations that apply in terms of process, product and company management, but equally about how we take responsibility in our supply chain management.



With our newly developed dashboard system ...

... we can now easily and simply perform in-depth supplier monitoring. We find that our initiatives are now also more widely supported in the organisation because a broader group wants to contribute to a positive impact.

Fabian de Man

Group Procurement Manager Ysco





2.2.1 Sound financial management and good governance

Milcobel focuses on building an effective, robust and efficient organisation. Our management structures must be simple, professional and allow us to act quickly when the market demands it or the situation requires it. Compliance with rules and standards is a minimum requirement for Milcobel. Where we see immediate opportunities we raise the bar, where we see growth opportunities we deploy improvement programmes to adopt a lean approach. With our diversified product portfolio, the cooperative remains committed to maximising value from the market and achieving the strongest possible above-average milk price for its dairy farmer members. This results in a win-win-win, for its employees, its cooperative participant members and its customers.

With a view to good governance practices, sustainability principles are also integrated in our approach to management. In 2022, for instance, our Board of Directors was expanded to include a third external director, making 30% of our directors external. One in three of our directors are women, including our chair.

Finally, there are new regulatory developments such as the CSRD, the CSDDD and taxonomy directives, but we also anticipate stricter environmental and product directives. Milcobel is preparing for this with the teams involved.

2.2.2 A sustainable procurement policy

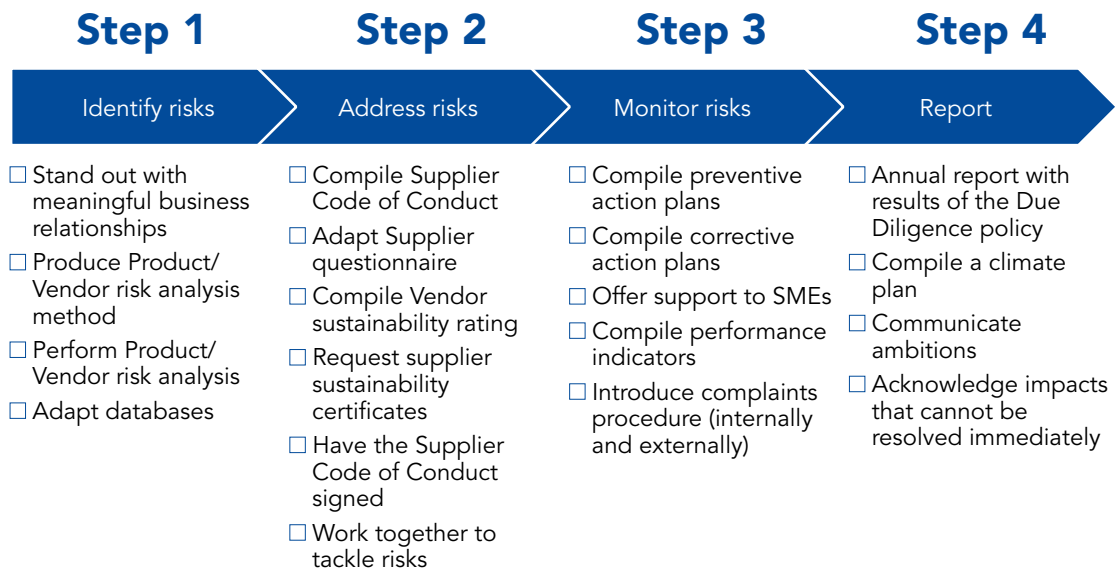
We also need to convey externally what we stand for internally. Therefore, we review our procedures within our procurement policy. Our suppliers and associated stakeholders are key partners in the chain in the pursuit of universal values that promote well-being for people and mitigate the negative impact on the environment.

The various procurement departments at Milcobel have been working for years on thorough due diligence practices to counter negative effects in our supply chain. These have now been formalised more at group level. For example, the 2022 supplier Code of Conduct was drawn up and all suppliers are asked to endorse it. This code of conduct describes the expectations our suppliers must meet with regard to:

- Integrity and business operations,
- Ethical conduct,
- Respecting laws and regulations,
- Respecting human rights,
- Managing environmental impact,
- Health and safety,
- Quality and proper governance.

Our main purchasing categories are transport agreements, packaging, and raw materials such as vegetable fats, sugar, cocoa, nuts and fruit, etc. besides of course milk, our basic raw material. When buying these raw materials, we invariably request the necessary

labels such as Fairtrade, RSPO, FSC. Milcobel systematically examines the risks associated with these product categories and has compiled a step-by-step plan, which it will now gradually implement throughout the organisation. To this end, a dashboard was developed to enable monitoring and reporting. This method took shape in a pilot at Ysco and is also being implemented step by step within the other business units. 80% of our procurement budget goes to local suppliers (not including dairy farmers) in the Benelux, the Netherlands, Luxembourg and France.



The organisation-wide introduction of ...

...our shared, trilingual Code of Conduct is a major achievement we can be proud of within the various procurement teams. It does not herald the end of the due diligence process, it's the start of the dialogue with our suppliers and efforts to bring about improvements.

Karine De Wachter

Chief Procurement Officer



This
Manag
Uses



Urban &
farm



Milcobel Supplier Day 2022

In spring 2022, Milcobel organised the Milcobel Supplier Day. We welcomed over 70 of our suppliers and explained to them, among other things, the Milcobel strategy, and our renewed vision of partnership with our suppliers. Time was also devoted to interaction and inspiring keynotes by Jo Caudron, Noel Faict and Manu Matthyssens.

2.3 Making our products more sustainable

Now, more than ever, consumers are increasingly reflecting on what they eat and where it comes from. They are also defining clear expectations regarding the responsible choices we make as dairy producers. Quality and food safety are our top priority at Milcobel. High-quality end products, services and processes are incorporated in our goals and mindset. And this starts with our main raw material: our Milk! How do we achieve this?

- **Comprehensive chain monitoring**

At Milcobel, we aim for comprehensive chain monitoring, from grass to finished product. To collect the milk from all our dairy farmers within the legal deadline and in the best possible way, we deploy 18 milk collection trucks every day. These trucks are equipped with a sampling device and a computerised data system for litres and supplier registration. This ensures full traceability at all times. Our milk collectors have all undergone training under the authority of the FASFC (Federal Agency for the Safety of the Food Chain) and are licensed as milk collectors.

- **On the dairy farm**

Every milk delivery is subject to legal quality regulations. Official quality assessments are carried out by accredited laboratories and all dairy farmers associated with Milcobel are IKM (Integral Milk Quality Management) certified.

- **In milk processing and production**

We process the milk in our own state-of-the-art factories. In 2022, all Milcobel factories operated in accordance with the Milcobel QAS (quality assurance system) and the Milcobel ACS (auto-control system), validated by the FASFC (Federal Agency for the Safety of the Food Chain). Our sites have GFSI certification (IFS/ BRC) and our products comply with the strictest standards.

Milcobel Cheese wins 5 medals at World Cheese Awards

At the 34th edition of the World Cheese Awards 2022, Milcobel cheese stood out from 4,434 entries from 42 countries and was awarded no less than two gold, two silver and one bronze medals. Belgium's biggest and best-loved cheese brand, Brugge cheese, won four medals. Fantastic recognition by cheese experts from all over the world of the superior quality and taste of these top Belgian cheese varieties.





2.3.1 Innovation focusing on sustainability

We use several indicators in the quest to make our products more sustainable. Besides efficient production and preventing food loss, we also focus on valorising our waste flows and shortening our supply chain. In 2022, our agenda featured two great projects, with innovation serving as the guideline for us to achieve these two goals.

Eigen Bodem Kaas (Homegrown cheese)

As early as 2021, Milcobel launched the 'Eigen Bodem Kaas' (Homegrown cheese) concept. With this authentic and local concept, Milcobel is responding to consumers' renewed focus on local products. In 2022, Milcobel expanded the number of products under this concept to include new local variants of popular classics such as: young and mature Gouda, Swiss cheese, brie and red cheese.

A partnership between Milcobel Dairy Premium Ingredients and Arla Foods Ingredients

Arla Foods Ingredients
Discovering the wonders of whey 

In this new partnership, Milcobel supplies whey protein retentate derived from its mozzarella production in Langemark. Arla Foods Ingredients refines the raw material for use in the production of specialist ingredients for premium protein markets. These include milk fat globule membrane (MFGM) for infant formula and whey protein hydrolysates for medical nutrition. This collaboration is a big step forward in the valorisation of our whey flow, a high-quality by-product of our production process, which also translates into added value for our dairy farmer members.



3 People and society

3.1 Focusing on our employees

As a cooperative, we believe the role our people play across our entire value chain is paramount and it goes without saying that the role of our employees is crucial in this regard. With its 1,900 employees, Milcobel is a diverse team, rich in talent, culture and diverse in expertise and experience. Our teams constitute the driving force in our production and operational environments. They are guiding Milcobel through the challenging transition to the sustainable dairy cooperative of the future.

In this process we strive for a robust safety and well-being culture, with motivated and committed employees. The diversity of society is reflected in our organisation, and we wholeheartedly embrace it. We want to create opportunities for our own employees and attract complementary new talent thanks to our strong values and interesting job content. This approach guarantees a satisfying, future-oriented job for everyone.

Social consultation is extremely important in a large organisation like Milcobel. Employees have the full right to join trade unions and monthly works councils. At group level, social consultation focuses on major issues such as the labour agreement, purchasing power, equal pay policy, working conditions, etc. All employees are covered by the protection provided by this collective labour agreement.

3.1.1 Employee population composition

	Detail	Total
Number of employees (FTEs) in 2022	M	1132,7
	F	506,9
	Total Employees	1639,6
Number of employees by contract type Permanent/Temporary (FTEs) in 2022	Permanent	1562,1
	Temporary	48,7
Number of employees by contract type full time/part time (FTEs) in 2022. Excluding the Camal site	Full time M	1029
	Full time F	385,9
	Part-time M	104,6
	Part-time F	162,8

Excluding Ysco Argentan and Halen.



3.1.2 Safety culture - golden rules

The safety of our employees is a key concern for Milcobel. That's why we are developing a culture in which safety and quality are paramount. To this end, we have our own security policies in place across all our sites in Belgium. A safety officer has been appointed at all locations. At Milcobel, five of the seven production sites (Moorslede, Bruges, Kallo, Langemark and Argentan) have set up Committees for Prevention and Protection at Work (CPPW), which jointly consult on a monthly basis on our safety and well-being policy for the employees concerned at those sites. The other two sites have fewer than 50 employees and therefore are not required to have a CPPW.

Since most of the accidents that currently occur at Milcobel are behaviour-related, we placed an additional focus on behaviour-based safety in 2022. This was achieved by introducing and monitoring the nine golden safety rules. In 2021, the Kallo site acted as a pilot, and in 2022, we rolled out the programme to the other sites.



Our safety project is part of our ambition to evolve from a reactive approach to a more people, system-oriented organisation in which our employees play a key role as individuals, and in which everyone proactively assumes his or her responsibility. This also includes a dynamic approach to risk management, which means that anyone can identify, report and improve unsafe situations, complementing the risk analyses performed at each site. In 2022, we saw a small increase in the number of incidents. An analysis revealed

that most incidents occur among employees who have not worked at Milcobel for very long. Therefore, in 2023, we will increase our efforts related to training and behaviour on safety topics, especially linked to ergonomic points for improvement. We also remain committed to our programme of the nine golden rules, our minimum safety standards.

Our policy is 'Go for zero', in which we work towards zero incidents. We want to create a culture in which every incident is preventable, and lessons can always be learnt.



Safety goes hand in hand with quality ...

... and operational discipline. An optimal safety mindset means all disciplines of the organisation are safer.

Stef Van Engeland
Lead Safety Coördinator

Gamification for our nine golden safety rules

Based on the motto of increasing people's awareness through play, the team in Kallo developed a board game to raise awareness of the nine golden safety rules. Participants spend two hours playing the game, becoming familiar with the safety rules, which employees can incorporate in their daily work after the game.



Safety and quality don't have to be a maze (that was the slogan)

In 2022, to increase employee awareness of the nine golden safety and quality rules at the Kallo site, our safety and quality team jointly designed a labyrinth. Throughout the maze all the golden safety and quality rules were repeated, which had been learnt during the year.





3.1.3 Health and well-being

Milcobel's aim is to ensure all employees benefit from a healthy, pleasant and high-performance work culture. To achieve this, Milcobel developed its Well-being Policy, visually represented as our House of Well-being. The four floors of the house represent the four elements that collectively ensure our employees are resilient and enjoy coming to work: values, health, talent and job.

Just like a real house, all the floors of the House of Well-being need to be well maintained. All the floors are inextricably linked and influence each other.

The main objective of this approach is to allow our employees to grow alongside us within our business strategy. We want to continue to encourage our employees and allow them to grow within a healthy culture for both body and mind.

Every two years, Milcobel conducts a survey on well-being at work and there is a smaller-scale annual survey. However, the emphasis is on constantly being attentive. A well-being manager has also been appointed with a focus on developing a low-threshold policy on well-being at work. Employees have the option of external coaching when they need it. What's more, there is considerable focus on self-care, supported by our internal communications team. Together with this team, short films were produced on the themes of agenda and time management and our internal culture.

“

We are committed to the health of all employees and ensure health is a topic that can be discussed between a supervisor and employee. If an employee is frequently absent, we discuss the causes and consequences with the aim of sustainable employment for both parties.

Liesbeth Willemsen - Group Wellbeing manager





Gusto sportivo

Almost 40 food companies have joined Gusto Sportivo, the food industry's sports platform. Milcobel was also a frontrunner in 2022, with more than 200 participating colleagues. In November 2022, our teams again took part in the sporting challenge to benefit Rikolto, an initiative to provide young people with a future in the food industry. There is plenty of enthusiasm at Milcobel and this provided an excellent opportunity to place our participants in the spotlight. For example, some of our team members also participated in Ironman in Sweden in 2022, and others are top dancers from the dance scene.

3.1.4 Diversity and inclusion

At Milcobel, we are also highly committed to equality and equal opportunities. With women accounting for 30% of our workforce across the organisation, it is important that we are mindful of unconscious gender-bias practices and ensure we have policies that encourage equal opportunities.

Milcobel regularly conducts a well-being survey to assess employee well-being. The results of this survey are an important indicator, alongside other KPIs such as internal job mobility, absenteeism, and retention. We engage with our employees so we can continuously improve.

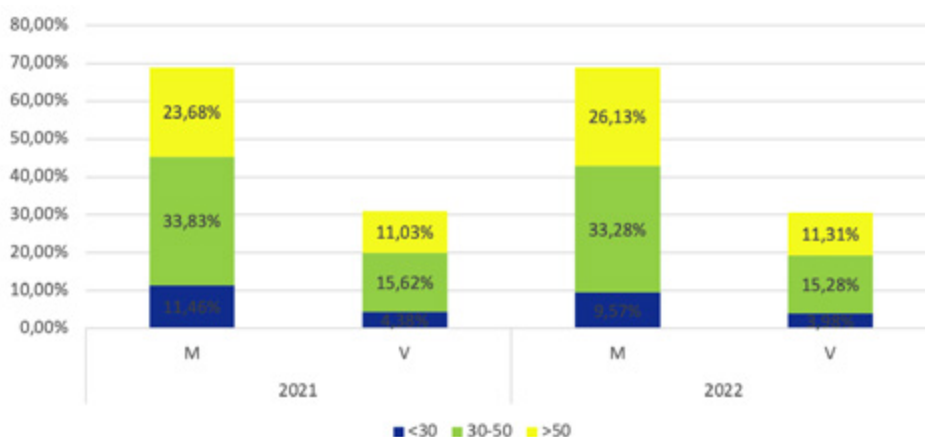
Our HR services devote a great deal of attention to employee well-being. Our well-being manager works very closely with the local points of contact in our Business Units to respond quickly if problems arise, but above all to pick up best practices and expand them to other locations where possible to continue to inspire our teams.

The diversity of our workforce is demonstrated, for example, by the 37 nationalities of our employees. This diversity also brings challenges, and language plays an important role in this regard. Based on our drive to be inclusive, we provide, among other things, Dutch lessons for non-native speakers. We encourage our production managers to work with pictograms and have a code of conduct that summarises our expectations across



a wide range of agreements. As a result, we have a general framework we can refer to in case of problems and create clarity on the processes we follow in the event of any breaches. Specific measures are also taken at each site to set up considerate initiatives tailored to the needs of our teams. For instance, when carrying out renovation work, we also explore the possibility of providing quiet rooms, accessible to everyone. A specific example of this is provided by the construction of a new social space at Ysco in Langemark. This is achieved in consultation with the trade unions, which also boast a diverse representation.

	2021		2022	
	M	F	M	F
<30	11,46%	4,38%	9,57%	3,98%
30-50	33,83%	15,62%	33,28%	15,28%
>50	23,68%	11,03%	26,13%	11,31%



Scope: Male and female distribution in FTEs (%) by age group (all sites except Camal)

3.1.5 Recruitment, training and development

Milcobel aims to invest more heavily in the talent of its employees in the coming years. Our goal is to support employees in developing their skills, improving their performance and building a successful career. Motivated employees are essential in a tight labour market. In 2022, 198 FTEs voluntarily left the company and 272 employees were recruited, of which 39% were women.

To achieve this, we need to reflect on how we learn: 70% of what we learn is acquired through experience, 20% as a result of feedback and coaching and 10% from training. We also want to apply this principle in the learning and development policy we are compiling.

On the one hand, we are committed to ensuring the effective follow-up of our employees. What are their needs, do they have the ambition to grow, are there other concerns we should consider? We keep our finger on the pulse and, we use our development interviews to jointly produce a development path. So how do we take it forward?

Through our high potential programme, which runs for two years, we offer employees broad management training. In association with Vlerick and with the cooperation of our exco members, a tailor-made programme is being developed for high potentials in the organisation who can evolve to join our senior leadership team. We also provide a tailor-made programme for our Young Potentials.

Through lifelong learning, anytime, anywhere. To strengthen our ambition, we also see great potential in making a wide range of training courses available to all. Milcobel uses the Milcobel Learning Platform to allow our employees to follow training courses using a simple, modern method. The Milcobel Learning Platform enables us to offer, register and report on a range of training courses. We currently have an interesting range of soft skills training courses (personal, emotional, social and intellectual skills) and it will be further expanded in 2023.

3.2 With sustainable customer relationships

Milcobel looks back on a long tradition of dairy processing. In the global market, there are trends at play that also impact us: the way consumers view dairy and sustainable food, increased regulation related to emissions, greater focus on animal welfare and water use. However, 2022 was also characterised by unprecedented spikes in dairy prices, which also led customers to seek assurance from suppliers. Uncertainty arose about the availability of milk powder for chocolate and other applications, for cheese as an ingredient, etc. This period demonstrated the added value offered by Milcobel, as a reliable partner acting on the basis of a cooperative spirit.

Within this field of tension, we see a huge opportunity in our collaboration with our B2B customers and other stakeholders. In doing so, we focus on innovative partnerships that reinforce our sustainability ambitions. A customer-oriented approach is key to all our Business Units and each Business Unit has defined its own ambition. This ambition is underlined by an action plan to work with customers to develop sustainable cooperation in the broad sense of the word.



The ambition of our Business Units



Milcobel Consumer Products

The undisputed leader in cheese in Belgium.



Milcobel Premium Ingredients

The partner of choice for premium dairy ingredients, based on consistent top quality and a high level of customer-focus.



YSCO

Europe's most professional and preferred private label partner in ice cream.



Many of our customers ...

... increasingly ask us for more information about Milcobel's sustainability efforts. Our supply chain approach, our focus on cooperation and partnership with our customers allow us to contribute to the sustainability challenges in our sector.

Francis Relaes

Managing Director Dairy Premium Ingredients

Connect to win an integral method for achieving customer and employee satisfaction

As a producer, we need to ask ourselves what role we want to play in society and how we can contribute to the wider social debate. For example, by engaging with customers and stakeholders on sustainability. We are jointly striving for the same goal. The teams at Milcobel Premium Ingredients developed the Connect to Win project for this purpose.



The buying process was examined using extensive customer segmentation: who are our main customers, what do they expect from us and how can we make a difference with our service and quality? A better understanding of the customer ensures that everyone knows exactly how they can contribute to the end result: customer satisfaction! Working on customer satisfaction goes hand in hand with working on employee satisfaction. Because happy employees are also the best ambassadors for the company. And that also rubs off on our customers.

It is therefore crucial we involve our employees in this sense of connectedness. By also communicating internally about the applications of our products, such as the important role milk powder plays worldwide, our employees will feel prouder of the organisation they are part of. Starting from the market, our product applications, we are developing a toolbox that all BUs can use internally to grow their teams' pride and commitment.



In our external and internal communication ...

... we emphasise pride in our product, the achievements of our employees and the important role of our local dairy farmer members. This sense of connectedness ensures we can respond resiliently to market challenges and deliver a first-class product to our customers.

Kathleen De Smedt

Corporate Affairs & Communication Manager





Milcobel also a partner in uncertain times

Milcobel strives to build long-term customer relationships. In a sector predominantly characterised by intermediate relationships, Milcobel has been building direct relationships in our sales markets for years. For instance, we already have long-standing relationships in Cape Verde and Lebanon.



3.3 With a focus on cooperation in the chain

Dialogue and participation are the foundations of our cooperative.

We connect with the sector and relevant stakeholders and are an active member of many organisations representing the sector's interests. Together with colleagues from the competition, we discuss the important issues that concern us all, and seek common positions and standpoints. We see it as part of our mission to highlight the strengths of our products, of the dairy sector and of dairy farming as a whole.

With our customers, we go beyond the purely transactional. We want to create added value for them, and also help them achieve their ambitions. We are moving from a transactional relationship to a value-driven collaboration.

We believe in dialogue and the participation of our members and give them a voice through the member circle boards and cooperative council.

However, we want to be even more active in our external communication, to strengthen the bond with our dairy farmer members, and to present the sector in a positive light to the outside world through authentic stories about our members.

We also encourage employee participation through Lean workshops at all our sites. They help us identify projects related to efficiency improvements and savings in our factories. Moreover, we stay up to date through our annual well-being survey.

Lastly, we emphasise the role of internal communication in sharing our strategy and plans with our employees, and of our vision and achievements related to sustainability. We enjoy sharing our teams' achievements and try and create understanding among colleagues from all departments, as we believe in the driving force of motivation and positivity.

Partnership, from customer demand to dairy farmer

With the start-up of the cooperation between Milcobel Dairy Premium Ingredients and Arla Ingredients, the customer set us specific requirements related to the use of cleaning agents at dairy farms. This is substantiated by the stringent requirements for the applications of our whey by-product in finished products intended for infants or the medical or sports nutrition sector. We engaged in dialogue about this requirement with our dairy farmers, where alternative resources are available, and our dairy farmer members make additional sustainability efforts by introducing them.



About this report

This is Milcobel CV's second sustainability report. It includes an overview of our sustainability policy and a selection of our achievements for the 2022 financial year. In the future, this report will be further developed and supplemented with more data about our ambitions, specific KPIs and the objectives achieved.

If you have **any questions about this report**, please contact

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