

BONGRAIN SA

Global Compact

Communication on Progress Achieved in 2011

July 2012

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## Contacts

For additional information in respect of this communication, please contact:

**Béatrice GIRAUD - Group Director of Corporate Communication**  
**[beatrice.giraud@lalliance.com](mailto:beatrice.giraud@lalliance.com)**

We will be pleased to receive your remarks and suggestions. They will help us improve our communication on progress achieved in 2012.

## **1. DECLARATION BY ALEX BONGRAIN, MANAGING DIRECTOR**

In 1956, Jean-Noël Bongrain invented Caprice des Dieux, an innovative cheese whose savor and constant quality gained consumers' confidence. That confidence remains at the heart of the relationships that bind our brands and our consumers, Group companies and their partners.

Ours is a family group which brings together companies of human scale united by a strong and shared corporate culture. The fundamental principles of the Global Compact, to which we adhered in 2003, perfectly match our values and our attachment to Excellence. For us, it remains important to apply those principles on a daily basis and achieve regular progress.

Our cheese factories are generally located at the heart of their milk-producing regions, in rural areas where they play an important role in local employment and development. Respect for others and for the environment is essential for their success and for that of the Group.

Our supportive purchasing approach, the deployment of our program of sustainable milk procurement, the contribution of Group companies to biomethanation projects and that of our employees to the development of microcredit, count among our achievements of 2011.

Alex Bongrain

## 2. APPLICATION OF THE PRINCIPLES OF THE GLOBAL COMPACT WITHIN GROUPE BONGRAIN

### HUMAN RIGHTS

#### The Global Compact's fundamental principles

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1. Companies are invited, within their sphere of influence, to promote and comply with international requirements for the protection of human rights,
2. as well as to make sure of not being complicit in human rights abuses.

#### Application

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▪ **Goals.** *“Encouraging the professional and personal development of the men and women working in and for the Group”, and “Participating in the economic and social development of the countries in which the Group operates, and serving the common good”,* are amongst the goals pursued by the Group. The Group aims for a balanced performance combining economic and social development with respect for people and for the environment.

▪ **Human resources.** Entities' human resource policies and internal rules comply with all the applicable international conventions on human rights.

The Group's entities strive to provide their employees with working conditions that ensure their physical and mental integrity and respect their private and family life.

The Group has undertaken a major program of awareness building and training in order to make significant progress in safety by dividing our accident frequency rate by four and then remaining below a rate of five accidents requiring time off work per million working hours.

A guide to vigilance and responsible behavior has been circulated to all the Group's operating units. Golden Rules for Safety have been defined for each business. Points of danger are systematically highlighted. All the Group's subsidiaries have prepared, and implement, quantified action plans the performance of which is regularly assessed.

▪ **Milk producers.** Group companies buy more than 3.5 billion liters of milk from 15,000 producers worldwide, often in the framework of long-term contracts. The partnerships we enter into with producers include the provision of advice and assistance designed to foster best breeding practices and improve both milk quality and operating performance.

The Group also contributes to the modernization of landholdings and to upgrading them to meet health standards with the installation of on-farm cooling tanks and training farmers on best husbandry and production practices.

▪ **Suppliers.** The Group prefers long-term relationships with its suppliers and places them in a framework of continuous shared progress.

Main suppliers' social and environmental performance is objectively and consistently assessed by a specialist service-provider, EcoVadis.

A **Sustainable and Supportive Purchasing Charter** sets out the Group's expectations of its main suppliers. For example, providers of temporary personnel must meet specific requirements for social insertion and the employment of handicapped persons.

A **Purchasing Code of Conduct** summarizes buyers' undertakings in their relationships with our suppliers in the following four areas: integrity and ethics, communication and collaboration, progress and performance and responsibility and sustainable purchasing.

▪ **Citizenship.** Bongrain finances social development and solidarity in the area of diet via its "Healthy food for mankind" fund.

The Group promotes balanced diets, in particular for children in order to prevent infantile obesity: the Sapere association receives support from the Group for its work in primary schools in France and in several other European countries.

The Group encourages its entities and their employees to support local initiatives in favor of solidarity, health, education and social insertion via work, sport and culture.

## Progress in 2011

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▪ **Relationships with suppliers.** The Group has signed the **Best Practices Charter** for the quality of customer/supplier relationships, an initiative of France's National Business Relationships Mediator designed to promote responsible purchasing and long-term partnerships between large and small enterprises in the interests of overall competitiveness.

**An initial ranking of major buyers** based on their best practices was performed in 2012 by *Médiation interentreprises, Compagnie des dirigeants et acheteurs de France (CDAF), Assemblée des chambres françaises de commerce et d'industrie (ACFCI)* and *Challenges* magazine (n°305 dated June 14 to 20, 2012). **Bongrain achieved 3<sup>rd</sup> place** in this ranking of 120 enterprises, just after two public service companies.

▪ **Supportive purchasing.** As a means of encouraging the use of enterprises focusing on accessibility and the employment of disabled persons, the Group has joined the **Pas@Pas platform** which enables buyers to identify and contact, in their region, such companies eventually capable of supplying the goods and services they require.

▪ **Relationships with federations of milk producers.** The discussions entered into in 2011 were crowned in March 2012 by a constructive agreement with the milk producers grouped into federations supplying each cheese factory. The Group has made a commitment to **long-term renewable contracts**, thereby ensuring producers real security for the commercialization of their milk. In return, the federations have committed to providing quarterly production plans, thereby providing the Group with better procurement visibility.

▪ **Prevention of accidents.** In France, milk is collected from each farm between 120 and 180 times per year. Our behavioral safety visits, already routine in our factories, have therefore been extended to milk collection rounds in order to ensure the safety of the persons, animals and equipment involved. The objective is to prevent accidents by optimizing routes and improving carriageways to ensure a clean and safe passage for our tankers.

▪ **Solidarity and micro-credit.** In October 2011 Bongrain subscribed to **L'Arrondi Solidaire**, a system for collecting micro-gifts: on a voluntary basis, employees gift the centimes included in their net monthly pay and the Group adds as much again. The money collected is remitted to two associations that redistribute it in the form of microcredits: Adie, the French *Association pour le droit à l'initiative économique* which aims to help the jobless in France, and PlaNet Finance which plays a similar role in countries with the greatest need to fight poverty. The microcredits help persons without access to classic bank loans undertake projects creating activity and employment: an approach consistent with the Group's humanistic and entrepreneurial culture.

▪ **Solidarity and self-sufficiency in food production.** In West Africa, excess milk produced during the rainy season is wasted in the absence of equipment and electricity to enable its conservation. The Group supports the From'Alliance association which helps Fulani women transform the milk into cheese, using a very simple process which produces curd that can be stored for two months at room temperature. 200 women were so trained in 2011 and the aim is to train 5,000 over three years.

## EMPLOYMENT

### The Global Compact's fundamental principles

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3. Companies are invited to uphold freedom of association and the effective recognition of the right to collective bargaining,
4. eliminate all forms of forced and compulsory labor,
5. effectively abolish child labor, and
6. eliminate discrimination in respect of employment and occupation.

### Application

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- The Group's entities apply the conventions of the International Labor Organization (ILO) with regard to fundamental working rights including, in particular, the abolition of child labor and the elimination of all forms of discrimination at work.
- Dialogue with labor representatives is founded in listening and mutual respect and focused on the joint development of each company and its employees. Opinion surveys are regularly performed as a means of assessing the social climate and responding to employees' expectations.

- Relationships between employees are founded in confidence, respect and the will to treat all with dignity. In addition to courage, honesty and loyalty, tolerance (accepting and understanding others) is one of the Group's four values.
- The Group guarantees its employees equal treatment with regard to access to employment, remuneration, skills development, professional mobility and personal fulfillment.  
It fosters local and cultural diversity when recruiting.  
It conducts an active policy of insertion of young people, continued employment of older employees and integration and continuing employment of handicapped persons, based on training and the elaboration of appropriate job definitions.
- Several Group subsidiaries offer training in basic skills (arithmetic, written and oral communication and computer literacy) to production operatives.
- Each Group company has an action plan for the professional equality of men and women.
- When restructuring is required, the Group commits to never leaving an employee cope unaided with a problem of employment: whatever the country, it systematically provides arrangements for internal mobility, support and/or requalification.

## Progress in 2011

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**Social protection.** In France, an agreement harmonizing the arrangements in force for professional incapacity, invalidity and death benefits has been signed with employees' representative bodies. The development of a uniform regime will enable benefits to be optimized whilst at the same time providing greater equity between our subsidiaries.

**Equality of men and women.** The identification and dissemination of best practices in eight areas (recruitment, remuneration, manager appraisals, career planning, working hours, working conditions, life-work balance, training and skills), and the promotion of women and of equal opportunity by our managers, human resource teams and the managements of subsidiaries, all help increase the Group's ratio of women managers: women, who represent 41% of the Group's total workforce, now also represent 37.5% of its supervisory staff, up three points like-for-like compared with 2010.

**Work and handicaps.** Numerous initiatives are taken to facilitate the integration and continuing employment of handicapped persons who represent 4.4% of our total workforce in France and 2.8% worldwide.

In 2011, the commitment of our Belgian subsidiary Passendale was recompensed by an *Etoile Entreprendre* award for the members of the JobCentrum association. Passendale has equipped a special workshop which employs twelve handicapped persons. The seven additional disabled persons recruited in 2011 have raised the company's overall disabled ratio to 12% of its total employees.

**Prevention, diet and health.** Back treatment, massage, yoga, stress management, dietetic canteen meals: Bongrain Deutschland is attentive to its employees' health. The company offers its employees specialist personal advice from experts in prevention and subsidizes the exercise of sporting activities near employees' places of residence.

**Top Employer in France and Spain.** For the third year running Bongrain received the CRF Institute's Top French Employer label, complemented in 2011 by a Special Award for Business Culture, rewarding the quality of the Group's managerial and human resource policies and practices.

The Group's Mantequeras ARIAS subsidiary was also awarded the Top Spanish Employer label in 2011.

## THE ENVIRONMENT

### The Global Compact's fundamental principles

7. Companies are invited to support a precautionary approach to environmental challenges,
8. undertake initiatives to promote greater environmental responsibility, and
9. encourage the development and diffusion of environmentally friendly technologies.

### Application

- The Group deploys an approach of continuous improvement to reduce its consumptions and limit its environmental impacts over the full range of its manufacturing and supply chain. It focuses in particular on reducing its energy, water consumption and raw material consumption, as well as on lowering its water residues' chemical oxygen demand, i.e. the quantity of oxygen required to oxidize all remaining organic content.
- Standardization of manufacturing methods and processes, and the progressive deployment of the most up-to-date technologies and equipment, and of best practices, allow us to reduce consumption of water and energy, achieve better control over quality and reduce superfluous consumption of manufacturing inputs as well as CO<sub>2</sub> emissions and wastewater.
- The Group's manufacturing management supports subsidiaries in deploying their environmental management plans and undertaking ISO 14001 certification. It also monitors their improvement programs and the trends in environmental indicators.
- A specialized department is responsible for identifying and disseminating the best internal and external practices with regard to environmental preservation, life cycle management and product labeling.  
Other process-oriented technical departments are charged with accelerating the dissemination of manufacturing best practices and technical innovations.
- Milk collection and cheese delivery rounds are optimized. Our truck fleets are recent and well maintained, and our drivers receive training in eco-driving.



## Progress in 2011

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**Responsible milk procurement.** The development of pastureland and natural herd feeding are at the heart of this program which equally focuses on promoting best practices for cattle watering and cleaning so as to reduce excess farm consumption of water.

Analysis of the carbon footprint of dairy farms shows that 43% of their greenhouse gas emissions are due to methane produced during rumination, 70% of which can be reabsorbed by pastures and hedges which stock carbon and maintain biodiversity. Alfalfa, grass, flax and lupine also steeply reduce the quantity of methane produced by cows whilst chewing the cud. Rich in Omega 3 elements, they equally improve the nutritional quality of the milk produced. Properly managed, pasture needs virtually no pesticides or fertilizers and recycles cowpats, stores carbon, protects the soil from erosion, filters water, maintains biodiversity and makes farms progressively more self-sufficient, thereby reducing their sensitivity to increases in the price of agricultural inputs.

**Sustainable farming.** The Group supports its producers in the sustainable development of their farms by offering diagnoses of their environmental practices, and associated profitability, with three focuses:

- The dairy performance of their herds (in conjunction with the French *Institut du lait*);
- Feeding of their herds, and the associated crop-growing, in conjunction with France's Institute for Sustainable Agriculture;
- Life cycle analysis of milk with the optimal nutritional profile.

On completion of the diagnosis, the producer is presented with action proposals but remains free to select those he or she wishes to implement.

In 2011, Bongrain provided such support to pilot farms in France, Germany, the Czech Republic, Slovakia, Hungary and Poland. The goal is to add more than 500 new producers to this program each year.

**Fuel and CO<sub>2</sub> savings.** Energy consumption per ton of production has dropped by about 10% over the last three years.

The Group's Illoud (Haute Marne) cheese factory, which produces Caprice des Dieux, is installing a wood-fired boiler that will cover 40 to 50% of its energy requirements in 2012. It will be supplied by wood from nearby forests managed sustainably by France's forestry commission.

**Methanation, a new source of value.** Projects are in progress to use the methanation which allows to produce some electricity and some heat.

Principles of functioning : organic waste from the cheese factory and nearby farms (vegetables, manure, etc..) is delivered to the anaerobic digestion unit for fermentation producing methane which is redistributed in the form of electricity for the local town or village and heat for the cheese factory. The residual waste, stabilized and odorless, is spread in the fields as a natural fertilizer.

### **Environmental labeling of products**

We took part in the Proxiproduits project designed to enable consumers to obtain nutritional and lifecycle products information on their mobile phones, tables, etc..by scanning barcodes. The project was developed in conjunction with ANIA and government as a means of testing consumer's interest in access to such information.

## **ANTI-CORRUPTION**

### **The Global Compact's fundamental principles**

**10.** Companies are invited to fight corruption in all its forms, including extortion and bribery.

### **Application**

The Group relies on its business culture and system of internal control to prevent and detect fraud and corruption. Particular attention is paid to the most vulnerable countries in this respect.

- Groupe Bongrain's four values include honesty and loyalty.

The Group strives to develop with its partners relationships that are lasting and founded in honesty, mutual confidence and shared interests.

Vendors are selected on the basis of open and competitive requests for tender.

Employees are made aware of the types of situation that may result in conflicts of interest.

- The Group's entities undertake:

- To comply with international requirements in respect of the fight against terrorism and money-laundering and to combat fraud and corruption;
- To respect the principle of loyal competition and compliance with the law;
- To promote their products and services on honest and loyal bases.

### **Progress in 2011**

**Fraud prevention.** The Group's Risk Assessment and Audit Department has addressed the issues of fraud prevention with the following conclusions:

- Awareness-raising at the level of Group entities' Executive Committees;
- Preparation of a guide to best prevention practices in order to assist subsidiaries in reinforcing their anti-fraud arrangements;
- Regular recourse to internal audit of the relevancy of controls and to outside specialists in order to test their robustness.

### 3. TABLE OF CONCORDANCE

Bongrain SA's 2011 annual report describes its social and environmental policies, actions and results.

It includes a table of correspondence referring to the Global Reporting Initiative's social and environmental performance indicators and to the French NRE law:

[http://www.bongrain.com/ar\\_2011/en/appli.htm](http://www.bongrain.com/ar_2011/en/appli.htm).

Information in respect of the Global Compact's ten fundamental principles is included in the following pages:

<b>The Global Compact's fundamental principles</b>		
<b>Human rights</b>		
<b>Principle 1</b>	Companies are invited, within their sphere of influence, to promote and comply with international requirements for the protection of human rights,	Pages 8, 9, 10, 11, 32-35, 55, 59
<b>Principle 2</b>	as well as to make sure of not being complicit in human rights abuses.	Pages 8, 9, 32-35, 55, 59
<b>Employment</b>		
<b>Principle 3</b>	Companies are invited to uphold freedom of association and the effective recognition of the right to collective bargaining,	Pages 8, 9, 30, 59
<b>Principle 4</b>	eliminate all forms of forced and compulsory labor,	Pages 8,9, 59
<b>Principle 5</b>	effectively abolish child labor, and	Pages 8,9, 59
<b>Principle 6</b>	eliminate discrimination in respect of employment and occupation.	Pages 8, 9, 10, 11, 32-35, 58-59
<b>The environment</b>		
<b>Principle 7</b>	Companies are invited to support a precautionary approach to environmental challenges,	Pages 8, 9, 10, 11, 33-39, 50-54
<b>Principle 8</b>	undertake initiatives to promote greater environmental responsibility, and	Pages 10, 11, 36-39, 50-54
<b>Principle 9</b>	encourage the development and diffusion of environmentally friendly technologies.	Pages 10, 11, 36-39, 50-54
<b>Anti-corruption</b>		
<b>Principle 10</b>	Companies are invited to fight corruption in all its forms, including extortion and bribery.	Pages 8, 9, 31, 59, 61