



**SAVENCIA**  
FROMAGE & DAIRY



**COMMUNICATION ON PROGRESS**  
SEPTEMBER 2017



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They will enable us to improve our next communication.

# STATEMENT OF ALEX BONGRAIN, PRESIDENT

2016 showed significant progress in the actions conducted to serve the common good. By joining the United Nations Global Compact, we reiterate once again the commitment of our Group to respecting our customers and our suppliers, our wholehearted dedication to reducing our impact on the environment, and our encouraging the professional development of our employees.

Thus, beyond the activities, there is the desire to allow each Group member to feel inherently driven by the values that define us, gathered around our vocation, “Leading the way to better food”.

At each moment and in each action we illustrate our genuine desire to progress, to undertake together, and to remain mobilized towards profitable growth benefiting all.

This approach adds to our very special attachment to the consistent quality of our products and the innovations that have won over consumer loyalty and have demonstrated the respect they inspire in us.

2016 was a milestone to our involvement to honourable people and their culture across the countries in which we operate. United by a shared desire to contribute to this commendable aim, we give ever greater importance to our promise to respect the Global Compact that we joined in 2003, and to which we are confidently renewing our loyalty and our commitment.

Alex Bongrain  
President



# APPLICATION OF THE PRINCIPLES OF THE GLOBAL COMPACT WITHIN THE GROUPE SAVENCIA

## HUMAN RIGHTS

### THE PRINCIPLES OF THE GLOBAL COMPACT

1. Businesses should support and respect the protection of internationally proclaimed human rights.
2. Make sure that they are not complicit in human rights abuses.

### TERMS OF APPLICATION AND PROGRESS IN 2016

#### THE VALUES AND GOALS OF THE GROUP

Our Group is made up of companies of a human scale, united by a humanist, family and entrepreneurial culture.

#### OUR VALUES

- Tolerance: accepting and understanding others.
- Courage: exercising one's responsibilities fully and recognising one's errors.
- Honesty: respecting the truth and not masking it.
- Loyalty: being true to the Group which, in turn, supports its members.

**Leading the way to better food, securing quality and respecting nature, developing and promoting our employees, investing to ensure profitable growth and permanence of the Group, contributing to the common good:** our Group has always thrived to respect and apply these values deploying its responsible and sustainable strategy.

This commitment, shared by all our employees, aims at favouring balanced performance combining economic and social development while respecting people and the environment. Similarly, the satisfaction of our customers and attentive listening to the stakeholders are the major themes of our excellence-oriented management approach.

#### ETHICAL CHARTER

The Ethical Charter "**The Group and its Culture**" is given to each employee joining the Group. It states the principles and the rules of conduct that apply within all Group companies.

This Charter underlines the ten fundamental principles of the Global Compact and the duty of each employee to alert his direct line manager, and if needed one of the group managers, should he feel the ethics of the Group are threatened.

## GOVERNANCE OF THE COMPANY

The Board of Directors decides on the objectives and chooses the Strategy of the Group, in keeping with its culture and its values.

**Two specialized Committees** assist the Board of Directors in preparing these decisions: the Audit and Risks Committee, and the Committee for Management and Remunerations, supplemented since 2015 with the Social, Corporate and Environmental Responsibility Policy.

## THE GROUP'S MEMBERS

The Human Resources policies and the rules and regulations of each entity respect the International Human Rights Conventions.

**Trust** and respect, associated with the importance of treating everyone with dignity, are essential bases for relations between employees. Similarly, Tolerance, illustrated by accepting and understanding others, is one of the four founding values of the Group, along with Courage, Honesty and Loyalty.

Since 2009, the **"Great Place to Work"** survey has measured the social climate and worker's expectations in each entity and thus offers an inspiring illustration of sharing best practices and progress. In early 2017, the results of a survey showed that **80% of the staff** of SAVENCIA Fromage & Dairy Deutschland declared that it is **"a great place to work"**.



Profit sharing agreements have been signed to involve each individual in the results of his/her company, and in the achievement of objectives of quality, productivity or also safety at work.

Similarly, agreements for prevention of hardship have been designed in some subsidiaries, which now offer retirement packages to the individuals concerned.

## TRAINING AND DEVELOPMENT

The recognition of the personal and collective contributions of our workforce enables us to celebrate their individual and collective commitment, thus favoring their skills and their employability.

- More than 50% of the permanent workforce has been with us for more than ten years. **Internal mobility** is systematically encouraged and enables us to fill half of all management positions. Every year, each subsidiary conducts a **careers review**, making it possible to prepare the possible career development of their staff and facilitate internal itineraries between subsidiaries, jobs and countries.

- **Training for all** has also been put in place: in 2016, 225,383 hours of practical training were undertaken, 16,822 more than in 2015 (+8%). Among these, basic skills programs have enabled manufacturing people to optimize their employability with training around learning written and verbal communication, IT and maths.

- **Practical training**, encouraged by Group management, enables workers to increase their knowledge and obtain a diploma recognised within their profession.

- The Group commits to its entire workforce in all countries, and sets up internal mobility, support or regrading systems so as to **"never leave an employee confront a problem of employment alone"**.

## SAFETY AT WORK

Safety at work is a major value of our Group. For this, we are orchestrating **a worldwide mobilization and training program** in order to improve safety at work on a sustainable basis.

Our published target is to reduce the number of lost time accidents to 5/million hours worked. Under this impulse, **the 5<sup>th</sup> World Health and Safety Week** highlighted musculoskeletal problems and healthy living by organizing workshops around muscle stimulation. Our slogan, "Safety is OUR business!", emphasizes the importance of collective and shared responsibility with a **zero accidents objective for 2020**.

In 2016, 37 subsidiaries, close to half, showed 0 accidents, thus giving all the necessary impact to the **Charter for Health & Safety at Work**, which prevails all as a genuine Group culture. It states that wellbeing, protection of physical integrity and the health of the people working in the Group must be everybody's concern at all levels of the organisation. Similarly, this year the Group put in place an indicator including safety in the workplace of temporary workers: the TFi (rate of frequency of accidents in the workplace, including temporary workers): 10.6 in 2016.

- **A Safety Guide** reminds all production units of the **10 golden rules of safety** and circulates prevention messages.

A dedicated program has been established to protect business travellers.

- **Each entity defines its specific rules** and formalizes an action plan with defined and controlled objectives. To optimize the benefits, an accident monitoring and analysis tool and regular reporting contribute to progress for these actions.

- **Behavioral Safety Inspections** are concern for all stakeholders, management, managers and operators, educated in detecting all risky situations in order to list them.

This careful approach has been rolled out in milk collection, using a transport protocol drawn up for each farm, making it possible to ensure the safety of the 120 to 180 annual collections in each of them.

## MILK PRODUCERS

We collect over **4 billion liters** of cow, goat and ewe **milk**, from **12,000 producers** all over the world. It is essential for our Group to promote this partnership which develops long-term relations with our producers, in a context of shared progress.

In France, which represents three quarters of our global milk collection, the Savencia Ressources Laitières teams are the preferred contacts for the Producers' Organisations (POs) and the Cooperatives that supply them with milk. **The 15 POs represent 2,700 producers** of the dairy areas close to our dairies and cheese plants.

- SAVENCIA Fromage & Dairy is strongly involved in assuring the permanence of the sector. **Dairy Resources Coordinators** are in daily contact with the producers in order to evolve the milk production practices. Field visits and working groups are organized, and similarly the establishment of young producers is assisted through financial support, fixing of their margin for 3 years, continuing training, etc. In 2016, all young producers (representing 15% of all producers) benefited from a special bonus, in a particularly difficult context.

- We are also working in partnership with dairy cooperatives, some of which are directly associated with optimizing value of milk:

**In France, Agrial** is a shareholder of our subsidiary Compagnie Laitière Européenne. **Union Bressor** is a partner in the production of Bleu de Bresse, and the **Terra Lacta** cooperative is a shareholder in Fromageries Lescure.

**In Argentina**, the cooperative **AUT** is a shareholder in our subsidiary Milkaut, one of the leaders in the country's dairy processing.

- At the heart of our relations with the producers, the Group endeavours to also offer advice, assistance and training in order to improve breeding practices and milk quality, and thus ensure the **sustainable performance of the farms**.

● The Group is dynamically involved in the modernization of farms and their management. Always looking to link the improvement of economic performance with the reduction in the environmental impact, 1,200 French farms have committed to our approach of **Sustainable Milk Production**. Other countries, such as Germany, Spain, Poland and Slovakia, are mobilizing for sustainable farming practices combining naturalness and profitability.

## SUPPLIERS

We have always given preference to **sustainable cooperation** with our suppliers and have put everything in place for a dynamic partnership towards mutual progress.

● We evaluate our suppliers according to several criteria: product quality, quality of the partnership and competitiveness, including the ability to offer more economical or more sustainable solutions. To enable suppliers to present their new products and processes, we organize Innovation Forums. These meetings emphasize a collaborative approach and the importance of developing innovative solutions.

● A **Procurement Code of Conduct** governs our buyers' commitments in their relationship with suppliers. It applies to four main areas: ethics and integrity, communication and collaboration, performance and progress, and responsible and sustainable procurement.

● Similarly, a **Charter for Sustainable & Socially Inclusive Purchasing** sets the Group policy pertaining to responsible purchases. Buyers are required to identify the appropriate companies of the sector and the social enterprises able to offer the products and services they are seeking.

● In France, the Group is a signatory of the "Charte Relations Fournisseur Responsable de la Médiation des Entreprises et du Conseil National des Achats". Created to the benefit of competitiveness and economic balance of SMEs and ISEs, this charter promotes responsible purchases between small and large companies, favoring long term partnerships.

● All incoming managers and buyers are trained in the Group's responsible procurement policy.

● ECOVADIS is called upon to assess the **social and environmental performances** of our main suppliers. The method used makes it possible to highlight the areas for improvement, which are then shared with the suppliers concerned.

## CONSUMERS

We offer consumers in different countries products that fit them, **signed by well-known brands** which most often belong to the heritage of their country. Each product is designed, manufactured and marketed with a flawless **quality requirement** upon which is built the unwavering trust of the consumers.

● We work from common references and use tools that have proved themselves:

- A **quality** policy founded on the principles of ISO 9001 and a **food safety** policy applying ISO 22000 and, depending on the markets, BRC or IFS Food certifications;
- High quality of raw materials with, for France, the adhesion of all our producers to the **Good Farming Practices Charter**;
- Local establishments enabling in-depth knowledge of local usages and tastes;
- Consumers consultation through **consumer panels** which evaluate all aspects of product quality on an ongoing basis;
- Natural and nutritionally balanced recipes;
- **Full and accurate information** about each product.

● Milk contains **nutritional benefits** essential at every stage of life: protecting the immune system and regulating functions such as growth for the young, intake of calcium for all, combating osteoporosis for the elderly.

● Our **Ingredients division** endeavours to improve our knowledge of these mechanisms by optimising the exclusive extraction processes and highly effective formulations in order to enhance the active ingredients of the milk for nutrition and health.

● We also offer low-fat, low-cholesterol, lactose-free and calcium -and vitamin- enriched products in order to answer the **nutritional priorities** of each consumer. In 2016, a new range of zero lactose products was launched by Brazilian subsidiary Polenghi, and in the Czech Republic, where Lucina offers a lactose-free soft cheese. On its part, Spain has also listened to consumer demand, and offers a low-lactose cheese (0.03%) through its Burgo de Arias brand.

● In response to the issue of **respect for the cold chain**, we produce and market dairy desserts in aseptic packaging: they benefit from long shelf life at ambient temperature technology. These products make it possible to supply consumers in Africa, the Middle East and Asia through circuits that do not require a cold chain.

● Similarly, a number of priorities have been defined to help the consumer adopt a **balanced diet**: including accurate nutritional information on each product and the development of tools educating about a balanced diet with the concept of portion consumed. Lastly, several subsidiaries have set out to develop reduced-salt, low-fat, lactose-free, vitamin-enriched and organic products, and also dairy-free desserts for allergic babies.

## CITIZENSHIP, SOLIDARITY

SAVENCIA Fromage & Dairy attaches great importance to its entities and workers encouraging initiatives which promote solidarity, health, education, training and social insertion.

● The French subsidiaries of the Group have participated for 6 years already in **“l’Arrondi sur salaire”**. The principle consists of volunteer workers offering from a few cents up to 3 euros of their net salary each month. The Group undertakes to match this gift and redistribute the total sum in the form of microcredits via four associations: **Adie, PlaNet Finance, Planet Urgence and Vaincre Noma**. In Germany, a similar programme called **Restcent-Aktion** finances solidarity initiatives in the health and food sectors.



● **“Bien nourrir l’Homme”** is the name of the **Endowment Fund** of the Group which supports volunteer workers in socially responsible initiatives in France and all over the world. In 2016 the Endowment Fund sponsored in particular the construction of wells in Niger, training in cheese production to conserve milk in Madagascar and the creation of a vegetable garden and orphanage in Vietnam.

● The establishment of the **“Socially Inclusive Vacation”** has also enabled French workers to go and meet populations in Zambia to set up an accounting project, in Benin to help teach children to read and in Madagascar to train the population in the production of cheese to conserve milk.

● The Group has also decided to promote the transmission of skills by conferring on **Great Masters** and **Experts** the mission of passing on and preserving the dairy know-how specific to the Group.



# LABOUR

## THE PRINCIPLES OF THE GLOBAL COMPACT

3. Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.
4. The elimination of all forms of forced and compulsory labour.
5. The effective abolition of child labour.
6. The elimination of discrimination in respect of employment and occupation.

### TERMS OF APPLICATION AND PROGRESS IN 2016

Concerning the fundamental topic of the abolition of child labour and the elimination of all forms of discrimination in the workplace, all Group entities apply the conventions of the **International Labour Organization (ILO)** relative to the fundamental rights and principles in the workplace.

Communication and discussions between the different staff representatives take place with listening and **mutual respect**.

Concerning access to employment, pay, skills development, professional mobility and personal development, the Group endeavours to support each person and **equal treatment** for all. Wishing to train managers in diversity, the Group gives particular attention to equal opportunity and non-discrimination.

With 40% of the total workforce and almost 39% of the management, women are broadly represented within the Group. The Group takes pride, through a good conduct guide sent to recruitment firms, in offering mixed lists of candidates in order to guarantee **professional equality** between men and women within the social development of the Group.

The Group takes heart in conducting an active policy concerning the **integration of young people**, the maintenance of seniors in work and the professional insertion of **disabled persons**. This firm

desire is illustrated by specific training, mentoring and dedicated positions and missions.

For example, in 2016 Spanish subsidiary **Arias** adapted workstations making it possible to maintain disabled persons in work. In Brazil, **Polenghi** increased its efforts with 51 jobs for the disabled, as compared with 38 in 2015.

In France, the **socially responsible procurement program** materialized in a new Messageries Laitières contract, conferring the repair of 500 pallets per month on a neighbouring ESAT.

A look at age shows that the **over-55s** represent 16.1% of the permanent workforce of the Group. The **youngest**, those under 24, 3.4%. Seniors, in the second part of their career, thus have a genuine role in transferring skills, which also makes it possible to emphasize their knowledge and talents.



In 2016, for the 8<sup>th</sup> consecutive year, France received the **“Top Employer France”** award, rewarding the quality of its managerial practices and human resources management tools at people’s service. The **“Top Employer Europe”** award was also awarded for the 4<sup>th</sup> consecutive time in Germany, France, Belgium, Spain and Poland.

# ENVIRONMENT

## THE PRINCIPLES OF THE GLOBAL COMPACT

- 7.** Businesses should support a precautionary approach to environmental challenges.
- 8.** Undertake initiatives to promote greater environmental responsibility.
- 9.** Encourage the development and diffusion of environmentally friendly technologies.

## TERMS OF APPLICATION AND PROGRESS IN 2016

**Environmental protection** forms an integral part of the Group's industrial policy. Each production unit is committed to an approach of progress in which the stakeholders participate.

The operational units implement appropriate prevention and protection policies thanks to an **evaluation system** of the safety of industrial sites and their respect for the rules.

The **Industrial Department** of the Group works with the subsidiaries to enable them to apply their environmental prevention and protection plans. It also helps them obtain their ISO 14001 certification, by checking the improvement program put in place and their results.

● **A monitoring and expertise department** has the mission of identifying and transmitting on innovations and best internal and external practices in environmental protection and life cycle management within the subsidiaries.

● **A Safety/Environment function**, created in 2015, made it possible to organize meetings in 2016 with the environmental managers of the French sites on the themes of water, energy, waste and air emissions in order to pool experience and share good practices.

● **All employees** are actively engaged and trained in environmental protection, and each site undertakes to control its consumption, with targets updated each year.

● We deploy all available resources to **reduce the impact of our activities**:

- We measure the value of every drop of milk and try to reduce loss and waste.  
Thus, 74.5% of non-dangerous industrial waste is recycled.
- We save energy and reduce emissions.
- We optimize transports.
- We save water, we reduce and process waste.

● To demonstrate our commitment, the Group launched an **industrial performance improvement program** based on fighting waste with the objective of reducing raw materials and packaging losses, overconsumption of energy, water and cleaning products, unnecessary travel, etc.

● Other actions have been developed in order to **limit food waste**, such as development of appropriate sizes (portions, cups, etc.). This is the case, for example, of Bresso, which saved 3.9 tonnes of plastic per year by modifying its lid, and P'tit Louis, which reduced its packaging by 80% with a 12-portion net.

● The plants are also assessed according to their **energy efficiency**. Total energy consumption shows an evolution mainly due to the reduction in consumption of heavy fuel (-17.8% in comparison to 2015). A different approach to prevention of pollution has made it possible to increase the share of non-dangerous industrial waste.

● Concerning the Group's contribution to **combating climate change**, this is organized through the establishment of a Responsible Dairy Supplies Policy, a "sustainable dairy production" commitment, and an analysis conducted by independent experts according to 10 indicators, including in particular carbon footprint, animal wellbeing, sustainable management of resources, herd food autonomy, etc. Similarly, in France, around 150,000 tons of carbon equivalent were saved between 2010 and 2016.

● **Transport**, with the fleets of milk collection trucks, is also concerned by the environmental responsibility and energy saving approach. Drivers are trained in eco-driving, grouped collection and delivery trips form an integral part of the optimisation of services in view of fuel consumption and emissions.

● **Water consumption** in 2016 was 15.8 million cubic meters, a fall of 0.9% from 2015. The control over water consumption and waste is attributable to the installation of closed circuits for cooling water, the adjustment of cleaning frequencies and rinsing times, and the use of filtered whey water for washing.

# ANTI-CORRUPTION

## THE PRINCIPLES OF THE GLOBAL COMPACT

**10.** Businesses should work against all forms of corruption, including extortion and bribery.

### TERMS OF APPLICATION AND PROGRESS IN 2016

The fight against all forms of fraud and corruption is a priority of the business culture of the Group. Its ethical charter and its internal control system help with the prevention and detection of all forms of corruption. The most vulnerable countries are the subject of very careful attention on these essential points.

● **Honesty and loyalty are two of the 4 published values of the Group.**

Trust and mutual interest are at the very foundation of the relationships that the Group wishes to build with its partners.

For this, suppliers are selected particularly on these principles through open and competitive calls for tenders. **A Procurement Code of Conduct** makes it possible to display the rules that buyers apply with the suppliers in the four major areas: ethics and integrity, communication and collaboration, performance and progress, and lastly responsible and sustainable procurement.

● On their part, the entities of the Group undertake to:

- Obey the international provisions against terrorism and money laundering and to combat fraud and corruption.
- Behave in compliance with the principles of fair competition, respecting all applicable laws.
- Promote their products and services honestly and loyally.

● **Fraud prevention** is an important subject which mobilizes all Management Committees around the Group. With the aim of helping the subsidiaries reinforce the anti-fraud systems put in place, a guide to good prevention practice has been published. All prevention systems are subject to controls of relevance by the internal audit department and by external specialists, which test their robustness.



# VERIFICATIONS AND CONCORDANCE

**W**ith an ever more assertive wish to work as close as possible to the universal principles on Human Rights, SAVENCIA Fromage & Dairy has chosen indicators capable of reporting transparently and clearly for the non-financial performance of the CSR actions of the Group.

The CSR reporting meets the requirements of the implementing decree of Article 225 of the French “Grenelle II” Law of 10 July 2010 (Articles L. 225-102-1 and R. 225-104 to R. 225-105-2 of the French Commercial Code).

This approach is now fully integrated into the operational processes of the subsidiaries, themselves revised on a voluntary basis by the statutory auditors since 2002. All social, environmental and corporate information was reviewed by one of the statutory auditors in 2016.

**The 2016 annual Activity and Sustainable Development report of SAVENCIA Fromage & Dairy** presents the way in which the Group and all its subsidiaries put in place and promote the ten universal principles relative to Human Rights, Labour, Environment and Anti-Corruption. It includes in particular a cross-reference table with the social, environmental and corporate information required in France and that required under the Global Reporting Initiative (p71-72).

Listed on Euronext Paris, SAVENCIA Fromage & Dairy is **one of the top 10 industry members of the Gaïa socially responsible enterprise Index of mid-caps listed on the Paris Stock Exchange**. The selection, made by the ratings agency Ethifinance, is based on transparency and performance in the areas of corporate responsibility: governance, social, environment and relations with stakeholders.



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