

United Nations Global Compact Communication on Progress by Milcobel November 2019

COMMUNICATION
ON PROGRESS



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

We welcome feedback on its contents.

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Message of the CEO expressing support for the Global Compact Principles

Since 2010, Milcobel has been actively involved in the United Nations Global Compact. I am pleased to confirm that we hereby renew our commitment to the Global Compact's Ten Principles on human rights, labour, environment and anti-corruption.

As dairy cooperation, we bring a balance between society, ecology and economy, developing together in a natural and harmonic way. With respect for people, animals and the environment, we produce top quality nutritious dairy products for people around the world to enjoy. As a cooperation, we cover the entire chain, from cow to customer, which allows us maintain high standards of quality, food safety, sustainability and social responsibility. We commit 100% to collaboration, connection and dialogue with our dairy farmers, our customers, our stakeholders, our employees, and society at large.

We are committed to supporting the Agenda 2030 for Sustainable Development and the 17 SDG's, most of which we cover thanks to our cooperative set-up. Our efforts are measured on an annual basis by the VOKA Charter for sustainable entrepreneurship, which has been awarded again in 2019 to all of our production plants. Next to the 17 SDG's, we have formulated this year a clear Sustainability Vision for Milcobel, built on four pillars:

Socio-economic: as a cooperative, we ensure a fair income for our 2600 dairy farmers and their families and fair salaries and decent working conditions for our 2000 employees. We care for the wellbeing of the people we work with and the society we live in.

Environment: we attach great importance to climate and the environment and make efforts throughout the entire chain: in our dairy farms, our transport, and our milk processing sites.

Animal welfare: Animal welfare is an integral part of good practice at our dairy farms. Ensuring the physical and mental health of our cows is a way of life embedded in the DNA of each dairy farmer.

Health and nutrition: With craftsmanship we make dairy products that are authentic, nutritious, high-quality and tasty. Our mission is to maximize the natural richness of milk and dairy products, and to enable consumers worldwide to enjoy the benefits of nutritious dairy.

With our Communication on Progress 2019, we express our intent to advance on those principles within our sphere of influence, next year and in the years to come. As such, we keep evolving and developing as a cooperation, contributing to a sustainable society.

Yours sincerely,

Peter Koopmans
CEO Milcobel





HUMAN RIGHTS

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

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

Milcobel Commitment

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

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

Main implementation and outcomes:

- Every employee working in the company is insured and paid adequately, and overtime work is compensated every month according to contracts.
- Health & Wellbeing: a wellbeing officer was installed in 2019 to roll out a focused program in 2020 focusing on our employees' wellbeing at work.
- Occupational healthcare is organized. Employees have access to doctor's services, and have the opportunity to get counselling by caretakers for mental wellbeing
- Quality colleagues in all sites ensure safety and security at work.
- No claim regarding human rights was reported in the period covered by the COP.

LABOUR

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

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

Principle 5 – the effective abolition of child labour; and

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

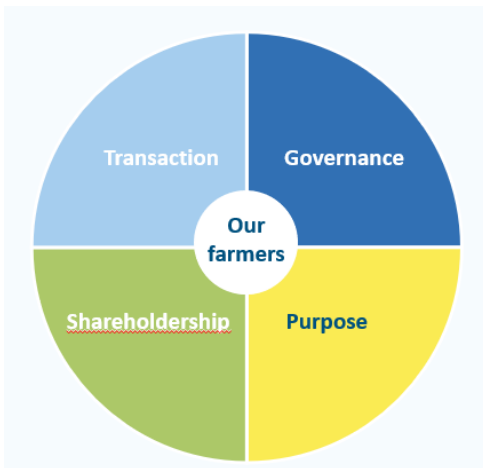
Milcobel Commitment

Milcobel is a cooperative, which is based on respect, cooperation, dialogue and joint decision making. We have a strong coöperative business model, with the coöperative of our member dairy farmers on one hand, and our enterprise on the other. Our member dairy farmers are associated into 9 member circles, who regularly meet in general meetings, and are represented by one Membership Circle Board. They interact on regular basis with the Board of directors of Milcobel, managing the enterprise side.

Our young farmers have their own Youth Circle.






Our relation with our 2600 member dairy farmers is fourfold:



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

Our Core Values

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

Social Partners / Unions:

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

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

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

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

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

Main Implementations and Outcomes

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





ENVIRONMENT

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

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

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

Milcobel Commitment

As the largest dairy cooperative in Belgium, we attach great importance to the environment and climate and we make efforts throughout the entire chain, from cow to customer: in our dairy farms, our transport, and our milk processing plants. Moreover, we contribute to the preservation of valuable landscape areas and the preservation of meadows and greenery in Belgium.

With our innovation, projects and activities, we reflect our ambition for a sustainable dairy sector, and we make a substantial contribution to the objectives of the Flemish Climate Policy Plan, which foresees a 20% reduction in CO2 emissions from agriculture by 2030 compared to 2005 .

We work on sustainable dairy products in close collaboration with all our customers, dairy farmers, employees and external stakeholders, and with attention to the entire chain.

Together with research partners such as ILVO we work on research projects that can significantly reduce the total greenhouse gas emissions of dairy cattle.

1. Sustainable dairy farming

Our member dairy farmers have been making far-reaching efforts for several years to reduce their ecological footprint. In a process of circular agriculture, they grow the majority of their own feed or buy it in the vicinity. The manure from the cows is used for fertilizing crops on their own land or in the environment that in turn become animal feed. Our dairy farmers recycle by-products from the food industry such as trot and beet pulp as feed for their cows. By adjusting the composition of the feed ration and additives, we can reduce the methane emissions of our cows. Food residues from our own factories are also - where possible - channelled as animal feed to agriculture.

2. Sustainable transport

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

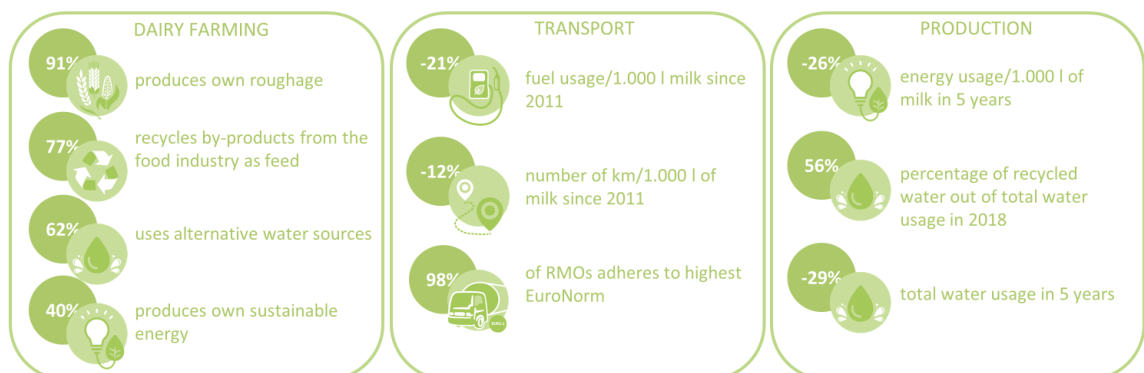
3. Sustainable production

Sustainability is also central to our milk processing at all our sites. All our production sites voluntarily participate in the Flemish energy policy agreements (EBO) and in this way commit themselves to take all energy-saving measures that are sufficiently economically viable at the same time. Our factories in Langemark and Kallo have combined heat and power, which provides 90% of the electricity requirement. All our sites have water purification installations, and 56% of the total water consumption in our factories consists of recycled water of drinking water quality (e.g. for cleaning installations).

Main Implementation and Outcomes

- All of our sites have received the VOKA Charter for Sustainable entrepreneurship. This Charter is based on the 17 SDG's of the United Nations.
- All of our sites voluntarily participate in the Flemish energy policy agreements (EBO)
- All of our farmers are IKM-certified (IKM = integral Quality Care)
- Milcobel conducts a Sustainability Survey amongst its farmers, and provides a sustainability index to each dairy farm. The goal is to gradually increase the performance of each farm with regards to environmental impact, in order to have all of our farmers reach a score of 75% or higher by 2025.
- As part of Milcobel's Vision on Sustainability, we focus on a broad range of initiatives to reduce our environmental footprint, throughout the entire chain: with our dairy farmer members, in our transportation, and in our production sites. The image below conveys some of the key achievements.

OUR PROACTIVE ROLE IN CLIMATE & ENVIRONMENT



- Sustainable packaging: Milcobel is closely working with partners in the industry to reduce the amount of plastic used, and re-evaluate packaging materials in view of their environmental impact. All of this while maintaining attention for food safety and security, and shelf life, in order not to increase waste.



ANTI-CORRUPTION

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

Milcobel Commitment

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

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

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

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

Main Implementations and Outcomes

- Milcobel has issued a formalised commitment to prevent corruption in all its forms in the Code of Conduct. 100% of employees have signed the Code of Conduct
- All new employees receive a copy of the Code of Conduct upon joining the company and are personally briefed by an HR-representative when joining the company.
- Training on ethical behaviour and the code of conduct is provided to the most vulnerable groups.
- End of year Communication of the Policy on how to deal with gifts was spread in November
- No report received on any potential corruption files

COMMITMENT TO THE UN SUSTAINABLE DEVELOPMENT GOALS

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

For more than 20 years, Milcobel has been actively participating in sustainability charters, first the West Flanders Environmental Charter; this then evolved into the Flemish Sustainable Enterprise Charter. All our sites are audited every year by VOKA, the Flanders' Chambers of Commerce and Industry. This year again, all Milcobel sites received the annual certificate of the Sustainable Entrepreneurship Charter, a recognition of our efforts and achievements in the field of sustainability. The Sustainable Business Charter is based on the 17 Sustainable Development Goals (SDGs) of the United Nations.

Examples for all SDG's can be found on our website www.milcobel.com/mvo (English version coming soon).



Internalization

All employees have received an overview of the UN Global Compact Ten Principles as part of their labour contract, and are aware that this is something we support as a company.

We communicate internally on our achievements with regards to the VOKA Charter for sustainable entrepreneurship, based on the 17 SDG's.

More regular communication will be done to bring the concepts to live in the company and make people understand that this is a core principle of the way we do business.

For questions, contact:

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