

United Nations Global Compact Communication on Progress by Milcobel October 2020

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.

Message of the CEO expressing support for the Global Compact Principles



Milcobel has been an active supporter of the United Nations Global Compact since 2010, and hereby confirms that we are renewing 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. 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.

Milcobel confirms its continued support to the Agenda 2030 for Sustainable Development and the 17 SDG's. Our efforts in this domain are measured on an annual basis by means of the VOKA Charter for sustainable entrepreneurship, which has been awarded again in 2020 to all of our production plants. We are also proud to have been awarded as SDG Pioneer by the Unitar for our Belgian production sites.

With this Communication on Progress 2020, 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.

Sincerely,

Nils van Dam
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: Milcobel attaches a lot of importance to the physical and mental wellbeing of its employees. We wish for them to thrive in a safe working environment, to come to work with pleasure and to feel good. Based on an employee survey, we detect the areas for improvement, based on which we develop and carry out an action plan.
- Occupational healthcare is organized. Employees have access to doctor's services and have the opportunity to get counselling by caretakers for mental wellbeing in case needed
- The new management of Milcobel has expressed the importance of safety at work and food security. We strive for zero incidents.
- 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

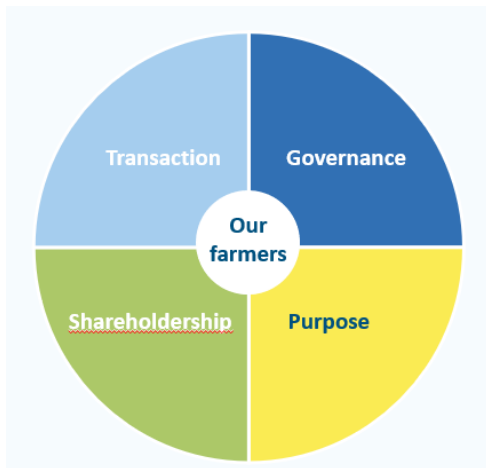
Principle 6 – the elimination of discrimination in respect of employment and occupation

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 gather in a separate Youth Circle.



Our relation with our 2400 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

 Make it happen	 Integrity	 Loyalty	 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 supports 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 work on delivering sustainable dairy products in close collaboration with our customers, dairy farmers, employees and external stakeholders, and with attention to the entire chain. Moreover, we contribute to the preservation of valuable landscape areas and the preservation of meadows and greenery in Belgium.



We engage in multiple innovation projects with ILVO, Flanders' research institute for agriculture, fisheries and food, aimed reducing the total greenhouse gas emissions of dairy cattle and improving the longevity of the animals.

1. Sustainable dairy farming

Our member dairy farmers are measured annually on their sustainability efforts by means of the IKM Quality certificate, as well as our sustainability monitor. Each farm is given a score, with the aim to each year improve that score. This allows our very diverse member dairy farms to evolve – each at their own pace – towards more sustainability.

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. In 2020, we installed a heat recuperation network in Langemark. All our sites have water purification installations. In Kallo and Langemark, water is further purified up to drink water quality via a state-of-the-art reversed osmosis installation.

Main Implementation and Outcomes

Our production plants

- All of our sites have received the VOKA Charter for Sustainable entrepreneurship, as well as the SDG Pioneer Unitar Certificate. 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)
- Energy consumption in our production plants was reduced with 26% in a 5-year period
- 56% of water used in the production process is recycled.
- Total water consumption was reduced with 29% over the last 5 years.
- Sustainable packaging: Milcobel has reduced the amount of plastic used in its production process, and focuses on maximizing the use of recycled materials. All of this while maintaining attention for food safety and security, and shelf life, in order not to increase waste.

Our farms

- All of our farmers are IKM-certified (IKM = integral Quality Care)
- All farms receive a sustainability index. 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.
- 91% of our farmers produce their own roughage
- 77 % of our farmers recycle by-products from the food industry as feed
- 62% use alternative water sources
- 40% make use of alternative energy sources

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.

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, as well as the SDG-Pioneer Unitar Certificate.

Examples for all SDG's can be found on our website <https://milcobel.com/corporate-social-responsibility/?lang=en>



INTERNALIZATION

In July 2020, Milcobel has officially installed a Corporate Sustainability Officer, to take our efforts to the next level, formulate clear ambitions and KPI's and make sure sustainability is well understood and supported throughout the company.

Over the past months, communication on our sustainability efforts has increased, with the intention to further improve in the year to come.

Throughout the year, we highlight our successes and projects related to sustainability.

Going forward, under the impetus of our new management, more visibility will be created throughout the company on our strategy, ambition and initiatives related to sustainability. A steering group and task force will be installed in the months to come.

Standard, every employee has received an overview of the UN Global Compact Ten Principles as part of their labour contract, and is aware that this is something we support as a company.

For questions, contact:

Kathleen De Smedt

Corporate Affairs Milcobel

<mailto:kathleen.de.smedt@milcobel.com>

