



FIGHTING DEFORESTATION IN OUR SUPPLY CHAIN

Lactalis Forest Policy





01. OUR VISION

Forests play a vital role in our world, offering a diverse range of environmental, economic, and societal services. They are essential to the maintenance of ecosystems functions, climate regulation, the production of clean air, and act as critical agents for water and soil purification, as well as retaining and replenishing water resources. Additionally, forests are crucial for the conservation of biodiversity as they serve as the primary habitats for terrestrial species.

Furthermore, forests provide subsistence and income for roughly one-third of the global population.

Unfortunately, deforestation and forest degradation are taking place at an alarming pace. According to the Food and Agriculture Organization of the United Nations (FAO), approximately 10 million hectares of forest are lost annually.

There are many factors behind deforestation in different regions, but agriculture is a leading driver worldwide. Nearly 40% of deforestation worldwide is linked to the production of commodities, notably soy, palm oil, cocoa, coffee, beef, and wood-derived products.

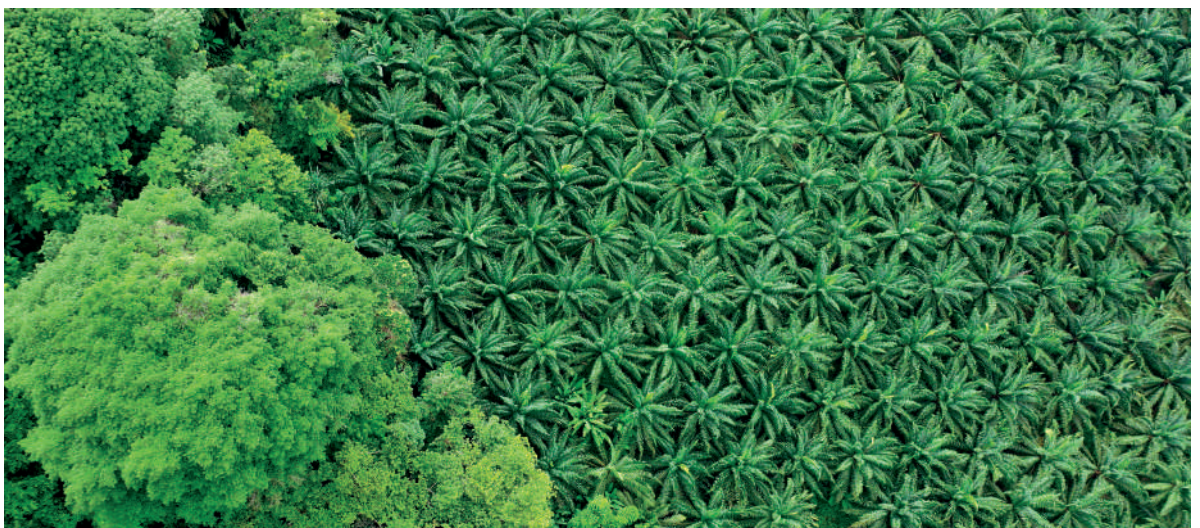
Deforestation and forest degradation extend to being major contributors to both global warming and the loss of biodiversity.

These activities increase greenhouse gas emissions, primarily through associated forest fires, causing a permanent reduction in carbon sink capacity, reducing the climate resilience of affected regions, and substantially eroding their biodiversity while increasing susceptibility to diseases and pests.

Drastically reducing deforestation and forest degradation and systemically restoring forests and other ecosystems is the single largest nature-based opportunity for climate mitigation.

As Lactalis, we depend on the services provided by these ecosystems to source our raw materials and to conduct our operations. Protecting forests becomes imperative for preserving these crucial services, and thus, the long-term success of our business depends on the preservation of forests.

Our vision: Tackling deforestation in our value chain



02. OUR GUIDING PRINCIPLES

1. TRACING BACK TO THE ORIGIN OF THE PRODUCTS

A robust traceability to the origin of the commodities in our supply is the best way to demonstrate that there is no deforestation. This is the approach chosen by the EU for its Deforestation Regulation (“commodities and products associated with deforestation and forest degradation and repealing Regulation”). It is also recommended by NGOs such as the Earthworm foundation in their “Zero deforestation & Conversion” methodology or the Accountability Framework initiative.

We will work on improving our knowledge of our supply chain, tracing back to the countries of origin, and if necessary, up to region of production or even the plot of land.

2. CERTIFYING TO CLOSE THE GAPS

Supply chains of agricultural commodities can be complex, with many intermediate stakeholders, making traceability hard to retain downstream of the chain. As this information may not always be available to us, we will rely on recognized certification bodies to close the gaps when needed.

We will assess the strength of the certifications available for each commodity as well as the chain of custody models that will allow us to fulfill our commitments.

3. MONITORING & VERIFYING TO ENSURE CREDIBILITY

Certification schemes can be useful tools and we trust our suppliers to provide us with material that comply with our standards however monitoring & verifying the conformity of the of products we purchase is essential to ensure the credibility of our policy.

We will use tools and audits to mitigate the risk of non-conformity in our supply chain and to exercise our duty of care.

4. DEVELOPING PARTNERSHIPS & RAISING AWARENESS TO GO BEYOND OUR COMMITMENTS

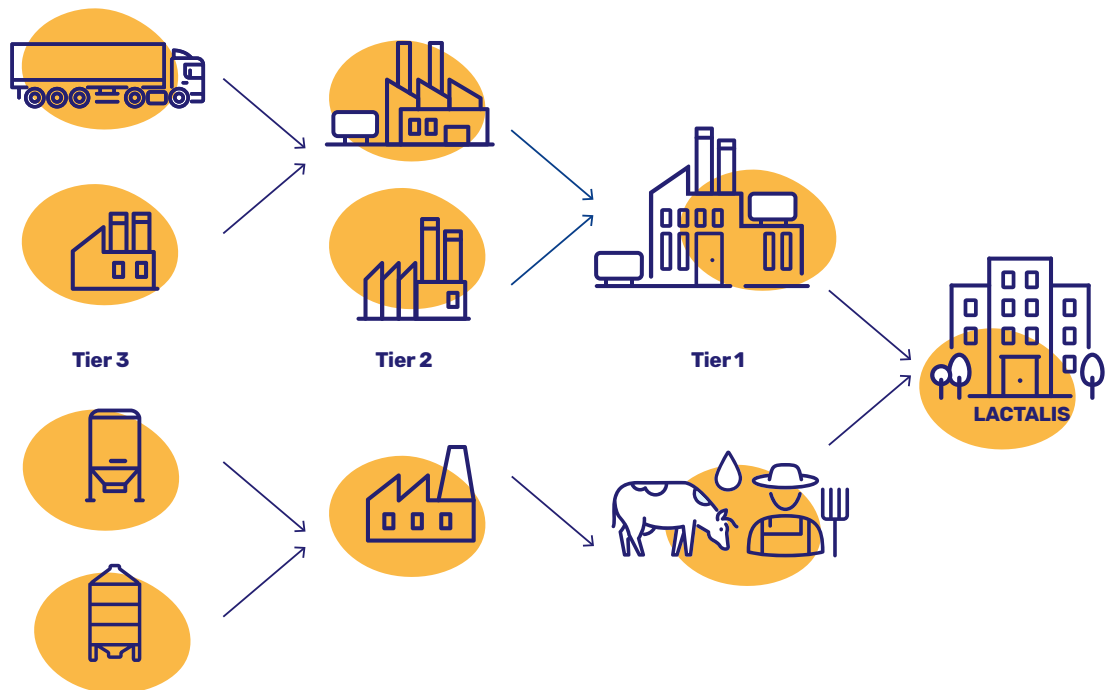
Making sure our supply chain is free from deforestation is a first step to safeguard forests and the biodiversity, ecosystemic services and livelihoods that depend on them, but we can go further. We know that systemic change needs the implication of many actors and thus we will develop partnership and sponsor projects to improve our knowledge and have a positive impact on eco-systems and landscapes.

03. OUR APPROACH

1. RISK MAPPING OUR SUPPLY CHAIN DIRECT & INDIRECT

To know where to target our actions, we mapped the uses of the primary commodities (Soy, Palm oil, Cocoa, Coffee, and Wood derived products) contributing to Lactalis's forest footprint. Our impact on forest can be classified in the two following categories:

- **Direct Impact:** This relates to the impact directly attributed to Tier 1 suppliers of Lactalis for agrosupply activities and the company's direct procurement.
- **Indirect Impact:** This pertains to the impact linked to Tier 2 suppliers or further, for example producers of animal feed that supply our partnering milk producers.



To implement our commitments on deforestation, we have decided to adopt a **risk-based approach**. Through risk-mapping, we are working on the identification of the origins of our raw materials. **Our volumes are considered at risk if mapped to a High-Risk country or lacking sufficient traceability.** Raw materials can be defined as deforestation-free when they have been traced from a low-risk area, or when the associated volumes have been certified by a recognized certification scheme.

Distribution of Lactalis' Forest Footprint

20% Purchasing

4% Agrosupply

76%
Milk Supply



Scope ● Direct ● Indirect

2. RELYING ON TIER 1 SUPPLIERS TO CLEAN OUR SUPPLY CHAIN

For commodities & products sourced to tier 1 suppliers, we will favour **traceability** as precise as possible and will rely both on the help of our suppliers but also on regulations such as the EU Deforestation Regulation to ensure compliance. We will request to know the origin of the products we purchase to their country of origin and further if necessary. We will also rely on **robust certification schemes** as all supply chains are different and this information might not be available everywhere in the world.

To ensure compliance with our Zero Deforestation commitment, a volume must meet one of the following criteria:

1. Be covered by a certification that evaluates both illegal and legal deforestation, with a cutoff date prior to 2020.

2. Be traced back to the municipality, agricultural parcel, or batch (depending on the extent of deforestation in the sourcing area) that is not linked to natural forest loss.

3. RAISING AWARENESS IS ESSENTIAL FOR TIER 2 AND BEYOND

Some of our suppliers such as the dairy farmer have mostly an indirect impact on deforestation, sourcing commodities that might sometimes come from soybean farms with 6 or 7 intermediaries' companies between them. Additionally, Lactalis purchases milk to more than 400 000 dairy farmers worldwide with varying levels of maturity. We will work **to improve knowledge in our value chain** and **to encourage our partners** to move toward more sustainable practices.

4. ENSURING COMPLIANCE & CONFORMITY

We are actively working towards enhancing transparency across our entire supply chain, with the progressive goal of achieving traceability down to the farm or plantation level when possible.

For products derived from wood, such as timber and paper, compliance is only reached if the quantities originate from an agricultural parcel registered before December 31, 2020.

Suppliers will be required to provide documentation as evidence of the conformity of sold volumes and we will evaluate the veracity and reliability of those evidence.

04. OUR AMBITIONS

As Lactalis we commit to end up deforestation caused by our primary deforestation linked commodities, across all our chain of value by the 31/12/2025.

We are committed to tackling **all sorts** of deforestation, whether it takes place legally or illegally in the production regions. Our commitment is based on the **cutoff date of 31/12/2020**, meaning that commodities must originate from agricultural parcels registered before this date.

This ambition translates through different commitments depending on the commodity and tier of supplier.

DIRECT

The ingredients we use, energy we purchase and agro-supply products we manage are the categories where we have the most control. We will work with our suppliers to fight deforestation through **3 major commitments*** on 6 different commodities.

OUR AMBITIONS

- **100% of cocoa, palm oil and coffee is traced to ensure that it does not contribute to deforestation or is certified according to a defined list of credible standards by the end of 2025.**
- **100% of our wood energy and paper/cardboard comes from plantations complying with the cut-off date of 31/12/2020 by the end of 2025.**
- **100% of the soya and palm oil used in agro-supply products are subject to a contractual clause including a no-deforestation clause or are traced to ensure that they do not contribute to deforestation or are certified according to a defined list of credible standards by the end of 2025.**

INDIRECT

Lactalis is one of the world's largest global milk collectors however its footprint is unique, collecting milk across more than 45 countries with hundreds of thousands of partnering milk farmers, as such, we cannot address our milk supply just like other purchases.

04

OUR AMBITIONS

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- We will work with our producers to encourage them to source from selected feed manufacturers or to buy certified feed by the end of 2025.
- 100% of our direct milk volumes will be risk assessed for soy and palm in animal feed by the end of 2025**.

**These commitments are excluding Egypt, ingredients of ingredients unless specified and co-manufacturing on the behalf of Lactalis at this stage.*

***Applies only to Australia, Brazil, United-Kingdom & USA for countries outside EU.*





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Conseil de Surveillance*) with share capital of € 140,027,040
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