



Cooperative Entrepreneurship in harmony with society

Milcobel 2023 sustainability report





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Intro

Intro

Dear Reader,

Sustainability is the foundation of our business operations, throughout our entire supply chain. Increasing customer demand and changing regulations require clear communication and making conscious choices. In these uncertain times, we present a positive and constructive story with a strong vision for the future, focusing on cooperation within the chain, from dairy farmer to customer.

Our relationship with member dairy farmers

The farmer protests over the past year have highlighted the precarious situation in which our dairy farmers find themselves. Far-reaching regulations in Europe and Flanders ensure an uncertain future.

Milcobel stands behind its dairy farmers as the consequences of the policy are not only felt in the agricultural sector, but in the entire agri-food chain. Our sector provides local products that meet the highest quality, safety, and sustainability expectations every day. Moreover, Belgian dairy farming is among the most sustainable in the world. If we want a sustainable future for our Belgian dairy sector, we need the necessary support and legal certainty and room for investment. After all, without farmers, there is no future. Geopolitical developments show the importance of being self-sufficient in terms of food and not depending on foreign products with a higher CO₂ footprint.

We demand more respect for our farmers, more perspective, less regulation, and more legal certainty.

Our members have been committed to sustainability for years. According to ILVO research, the carbon footprint of Belgian milk is among the lowest in Europe with an average of 1.03 kg CO₂ equivalents per liter of raw milk leaving the farm.

We encourage the sustainability initiatives of our member dairy farmers through the Milcobel sustainability program that focuses on CO₂ reduction, sustainable water management and green energy. For their efforts, we reward our members with an extra sustainability premium. In this way, we take our responsibility to support our member dairy farmers to evolve towards more sustainable dairy farming, tailored to their individual business operations and with future generations in mind.

Dialogue remains central: through our broad member operations and strong cooperative structures, we are connected with our members, involving them in the governance of our organization.

Our relationship with stakeholders, suppliers, and customers

Dialogue is also a key word in the relationship with our customers. With them, we look at opportunities to collaborate to make the company and cooperative more sustainable. Respectful relationships and customer service is crucial.

To our suppliers, we have taken the first steps toward a clear sustainability policy that includes them, and we continue to work on a socially and environmentally responsible purchasing policy. Collaboration with partners also remains a pillar in our strategy.

Our staff

We remain committed to making our internal organization more sustainable in terms of people, the environment and good governance. Our sustainability strategy is being further integrated into the organization from a governance and communication perspective. Three local sustainability officers work together with the sustainability manager to take concrete actions in each site to achieve our sustainability goals.

An Energy Policy Agreement (EBO) was developed for the production sites and a scope 1 and 2 carbon footprint reduction plan. Scope 3 was also mapped for the first time, so that we now also have a view of the footprint of our entire chain.

We continue to invest in the well-being and safety of our employees and the quality and food safety of our products.

What will 2024 bring?

In 2024, we will continue our chosen path with a focus on developing action plans around sustainability and creating more support internally and externally. We are preparing for European CSRD reporting. The report you are now reading is already an evolution in that direction, with theme-based reporting across the entire chain.

A crucial point this year will also be the development of a climate action plan in preparation for the Science Based Target initiative to which we are committed in 2024. Here we are motivated by the positive feedback we receive, taking everyone along, listening to the needs and expectations of our stakeholders.

In this way, together, we continue to progress step by step towards more sustainability.

Sincerely,

Peter Grugeon
CEO Milcobel

Betty Eeckhaut
President Milcobel







About Milcobel

About Milcobel

Cooperative entrepreneurship in harmony with society

Milcobel is a reference in the international dairy market. We stand for quality, safety, and customer orientation. At our production sites in Belgium and France, we employ some 1800 employees who produce top-quality dairy products with passion and expertise for our customers in more than 100 countries. Milcobel stands for dialogue, transparency, reliability, and sustainability. We want all links of the dairy chain to be involved, from milk collection on the farm, through production to commercialization at the customer. We believe in strong partnerships and long-term customer relations.

Milcobel is a cooperative that collects, processes, and commercializes the milk from around 1,600 dairy farms. We offer our member dairy farmers guaranteed milk collection. Every day our members work hard to deliver high-quality milk, which our employees convert into dairy products with the highest possible milk valorization. This is how we strive for a fair milk price for member dairy farmers.

Milcobel's focus in 2023 was on further investing in making the cooperative more sustainable and future-proof. It realized this, among other things, by investing in an ultrafiltration installation at the Langemark site as part of the partnership with Arla Foods Ingredients. It also committed to further operational improvements in the production sites with a view to the safety of our people and the quality and sustainability of our products.

2023 was a year of many extremes for the industry. A highly turbulent global dairy market, both on the demand and supply side, requires a high degree of flexibility. On the demand side, an increasingly global dairy market brings more geopolitical and economic uncertainties. On the supply side, the increased regulations surrounding agriculture and livestock farming in Europe and Belgium are leading to a shrinking milk pool, which means that a declining milk supply must be considered. In addition, the costs of energy, raw materials and services have risen sharply, and wage costs also increased sharply in view of the mandatory indexation of 11%. Costs that could not be passed on immediately. After a record year in 2022, international dairy quotations fell sharply, which was reflected in a lower milk price.

Last year's situation once again emphasizes the necessity of the choices Milcobel made several years ago to focus more on added value.

Finally, the EU nitrogen debate also brings uncertainty among our member dairy farmers and sector colleagues. Milcobel hereby called for working constructively and in consultation with the sector towards a realistic and fair nitrogen agreement.



Key figures:

- About 1,600 dairy farmers
- About 1,800 employees (including YSCO, Camal and Kaasbrik)
- 1.3 billion liters of milk processed
- €1.315 billion in sales

The decisions we make as a cooperative will always come from our cooperative spirit, with a sense of entrepreneurship, in harmony with the entire chain and considering the society in which we act today.

Cooperative enterprise in harmony with society



Cooperative

The cooperative model serves as Milcobel's foundation. Furthermore, we believe in constructive cooperation between all stakeholders.



Harmony

Harmony means focusing on the whole chain, respecting the standpoints of the different stakeholders and striving for a common goal.



Enterprise

The farmer is essentially an entrepreneur, who considers initiative and sound business practice important. Competitiveness is also important for Milcobel. Entrepreneurship is an essential quality for our employees too.



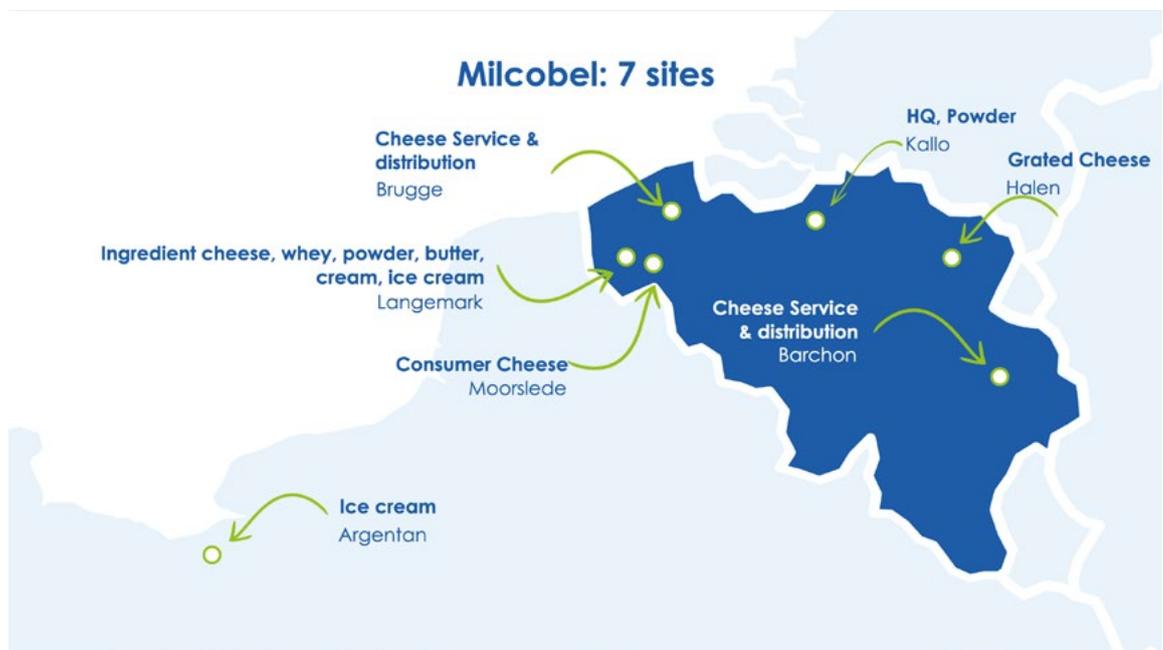
Living together

Not only do the environment and our surroundings play an important role, but also people and the society in which Milcobel operates. Our vision focuses on the most important themes and trends, divided into several pillars.

We deliver top products in an industry with major challenges

Our organization

Milcobel is active in the dairy industry throughout a broad section of the chain. We process the milk from our dairy farmers in our own local production sites according to strict quality standards. In our locations in Belgium and France, we prepare cheese, powder, butter, cream, whey, and ice cream according to the latest scientific and technological insights in the field of nutritional, sensory and functional properties.



Milcobel Consumer Products



Milcobel Premium Ingredients



YSCO

Our products

Milcobel's production activities are divided into three different Business Units

Milcobel Consumer Products

Consumer Products makes delicious, high-quality cheese for the consumer market, both under its own brand and under private label for various supermarket chains. Our customers range from large retailers at home and abroad, to the cheese specialty store around the corner or at the market. Our hallmark: top quality and taste. In 2021 and 2022 we launched our "Notre Terroir" cheese range: accessible local alternatives to international top cheeses. In addition, with Dupont Cheese and Camal, we offer exclusive and unique cheeses from around the world, aimed at our professional customers.

Milcobel Premium Ingredients

Premium Ingredients is the chosen partner for quality and reliable dairy ingredients for customers in more than 100 countries. Our specialties are ingredient cheese (mozzarella and cheddar), milk powder, cream, butter, and whey. From a customer-oriented approach, we create customized applications with the highest nutritional, sensory, and functional quality. In 2023, we will continue our focus on expanding the Asian market for mozzarella. Finally, subsidiary Kaasbrik provides additional valorization of our cheese flows by allowing us to now also market shredded cheese varieties.

In 2023, a facility was built in Langemark to upgrade whey – a side stream from mozzarella production – into whey protein retentate, as part of a partnership with Arla Foods Ingredients. Arla further uses the whey as a raw material in pharmaceutical applications and baby or sports nutrition. For Milcobel, this means a further strengthening of our strategy and an important step forward in the valorization of our whey stream.

YSCO

Ysco is an independent subsidiary of Milcobel, which produces a wide variety of ice cream under the private label of the largest European supermarket chains. In this area, we are one of the market leaders in Europe. Quality and service always remain the main drivers for the ultimate customer experience. By focusing on innovation, sustainability, and automation, we ensure a strong position in the European ice cream market.

Milcobel opens the Mozzarella Experience Center

In 2023, Milcobel inaugurated the Mozzarella Experience Center in its Langemark site. We are proud of this initiative where we can relate over 25 years of experience with this globally popular product to our customers and other visitors. In Langemark, 65,000 tons of mozzarella roll off the production lines every year. In the experience and expertise center, Milcobel puts its knowledge to work for the benefit of professional customers from all over the world.

Mozzarella is a very technically complex product. Customers set specific criteria when preparing the cheese, in terms of color, blistering (how the cheese bakes out), oil off (smoothness), and the way the cheese melts and stretches. Building up this expertise takes many years, and it is thanks to the experience of the past 25 years that Milcobel has been able to work its way up to become one of the reference companies in Europe and worldwide.

"With the opening of the Mozzarella Experience Center, we are taking the next step in our mozzarella story. Here we continue to build a sustainable future for our cooperative and our company by focusing on innovation, know-how, co-creation and cooperation with customers and chefs worldwide." Francis Relaes, managing director Milcobel Premium Ingredients



Francis Relaes and MEP Tom Vandenkendelaere at the opening of the Mozzarella Experience Center.



Among other things, the stretch of the mozzarella is tested

Our markets

We supply our products in more than 100 countries across 5 continents. Ysco focuses on almost all European countries. For Premium Ingredients, Europe and Asia are important markets. Milcobel Consumer Products focuses mainly on the Belgian market, as well as neighboring Southern European countries.

We regularly engage in dialogue with our customers. Through these conversations, we learn about our customers' challenges in their markets. We discuss local or regional trends in product type and taste and see how our products can respond to them. During our regular trade show participations at, for example, Tavola, Anuga, PLMA, FHA Singapore, the American Fancy Food Shows, Gulfood and Intrafood, we present our products and latest innovations.

These trade show participations in Europe, the Middle East, Asia and North America, are therefore the perfect time to catch up with our existing customers or get acquainted with new ones.



MY HEAD SAYS
GO TO THE GYM,
MY HEART SAYS
EAT MORE
ICE CREAM

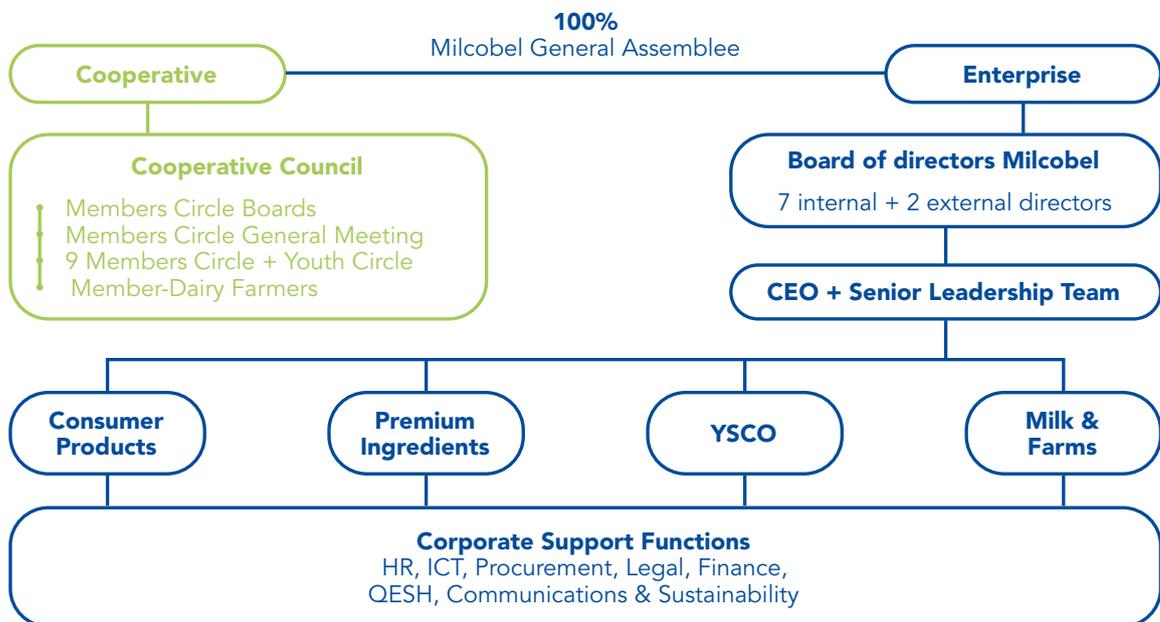


Proud of our organization and our partners

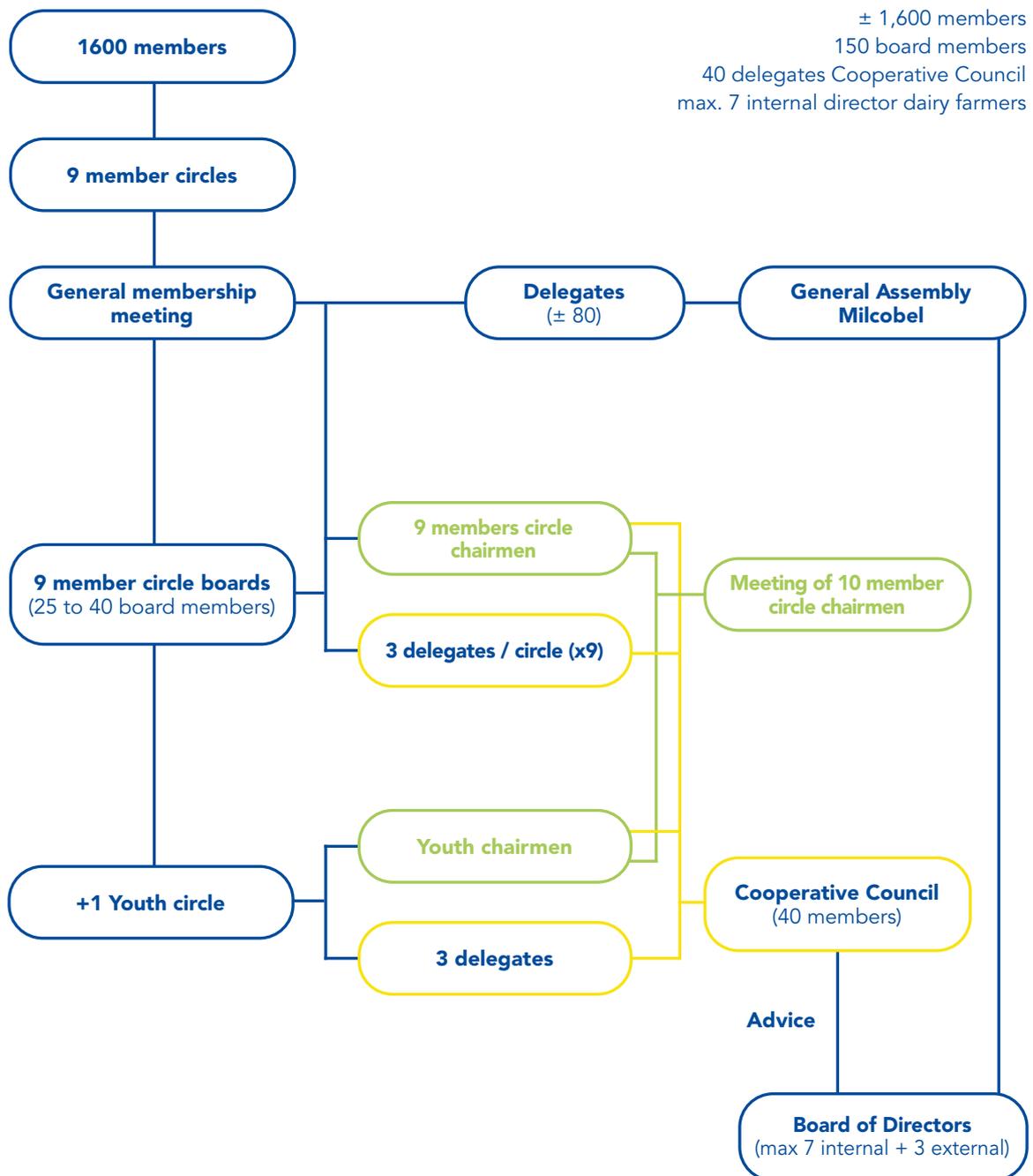
As a cooperative, we are a special form of business that is not solely profit-driven. We want to connect farmers with each other and with society. Being a cooperative means that open dialogue and member participation is a priority. This is also embedded in our consultation structure.

Our structure

Milcobel is a cooperative, in which corporate and cooperative structures are intertwined. The company is centered around three business units and the Milk & Farms Department, which are supported by Corporate Support Functions, such as HR, IT, finance, purchasing, legal and communications.



Through our cooperative structures, we ensure a high level of commitment to our member dairy farmers. Our dairy farmers are united in 9 member circles, each representing a geographical region, as well as a Youth Circle. They all have a general meeting of the members in their respective member circle, and a member circle board with a chairman. For each circle, the chairman and 3 members are delegated to the Cooperative Council, which advises the Board of Directors, and to the Annual General Meeting. In this way, every Milcobel member can have a say. Our young farmers unite in the Youth Circle.





Change in bylaws to benefit member-cooperants

Milcobel slightly amended the bylaws to strengthen the cooperative, keeping in mind new and existing members. This involved the following changes:

- The cooperative return (post-payment) is used to meet the capital obligation of member-cooperators.
- The abolition of the ceiling of EUR 10/100 liters as the maximum capital contribution.
- Extension of the term of office in the General Assembly (delegates).
- Introduction of a supplier contract for dairy farmers in addition to traditional membership.
- In pursuit of further professionalization, the mandate for the General Assembly is being extended from one to four years. In this way, we are building a close-knit, informed group of member-cooperators who set the course. Formation and training for this group will also be pursued. An annual (re)election takes place to fill any open mandates.

In addition, a number of other changes were made aimed at supporting young dairy farmers.

- Members up to the age of 40 can make a one-time request to have their cooperative refund not placed in the associates account but instead paid out. Our ambition is to give young dairy farmers a boost.
- Milcobel provides an incentive upon takeover & continued Milcobel membership in the form of a takeover premium of 1 EUR/100 liters which is used for capital accumulation.



The Board of Directors has eight members with five male and three female directors, accounting for a ratio of female members of 37.5%. The Board of Directors includes six internal members and two external independent directors. Our President is Betty Eeckhaut and the two Vice-Presidents are Vanessa Van Eynde and Luc Van Laer. Through the Governance structure, provision is made for the Board of Directors to help consider sustainability issues and the impact of changing regulations, such as the Corporate Sustainability Reporting Directive (CSRD) and climate ambitions. The Board of Directors is advised by the Cooperative Council and in the area of sustainability also by the cooperative sustainability working group consisting of 7 member dairy farmers.



Betty Eeckhaut
President



Vanessa Van Eynde
Vice President



Luc Van Laer
Vice President



**Mark Matthys -
De Zutter**
Director



Heidi Willem
Director



Tom Leenaerts
Director



Carl Peeters
External Director



Dirk Poelman
External Director

The executive committee – the 'Exco' – also bent over a range of sustainability topics in 2023. Several members took part in working sessions as part of the dual materiality analysis and sustainability is regularly on the agenda. One lady sat on the 'Exco' in 2023 which gave a ratio of 1 to 7 (14%). (For your information, the company bade farewell to CEO Nils van Dam in early 2024).



Pierre Stevens
Chief Financial Officer



Francis Relaes
Managing Director
Premium Ingredients



Tom Schietecat
Director Milk & Farms



Edith Hamelryckx
Director Human Resources

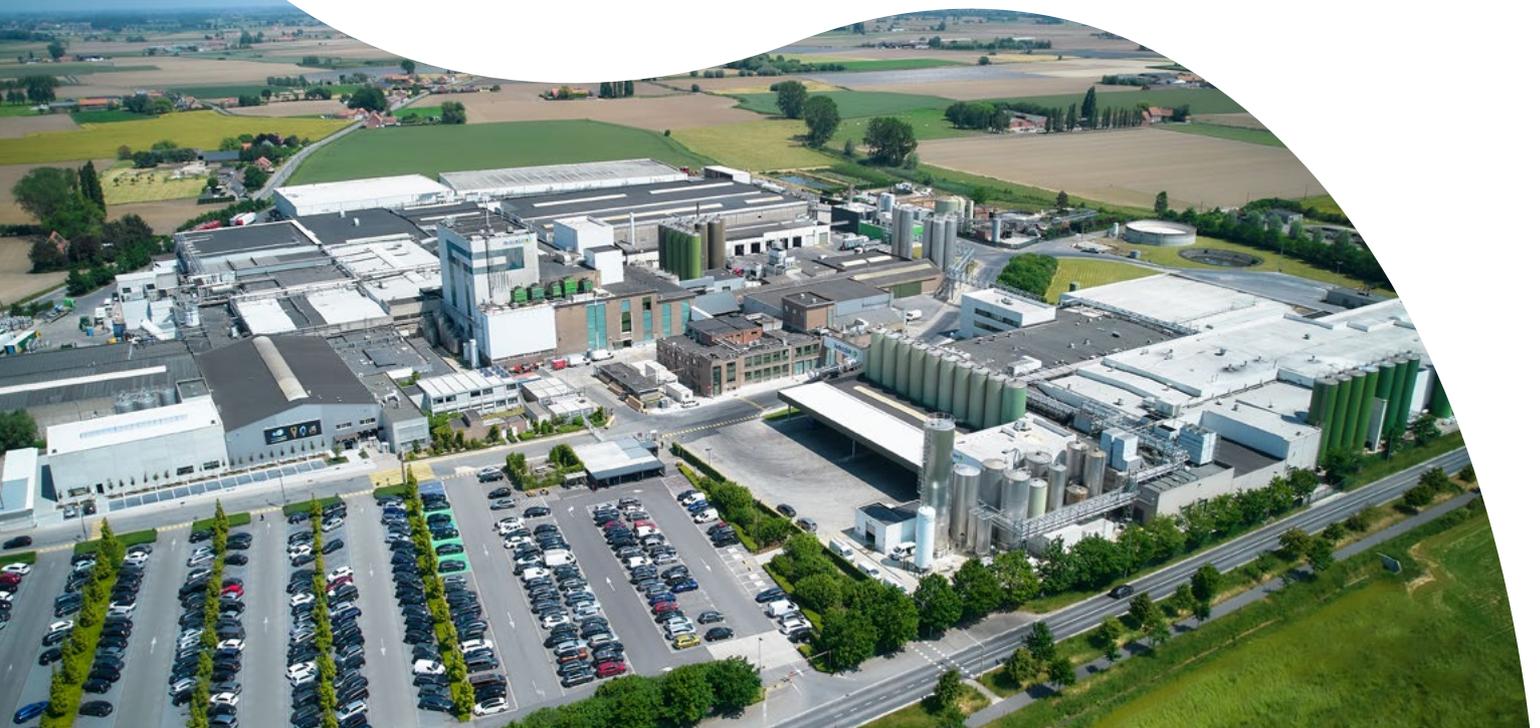


Bert Van Nieuwenborgh
Managing Director YSCO



Eric Derie
Managing Director
Consumer Products a.i.

Creating engagement is also what we do with senior management in the company. The senior management team consists of 57 members, including 15 women (26%). Senior management is regularly informed about policy themes and was also involved in the development of priority sustainability themes, including the dual materiality analysis, as well as decisions related to making our sites more sustainable.



Marc Herremans gave a motivational speech to senior management that left no one unmoved. We therefore wanted to support his project "To Walk Again" as part of our social responsibility and donated 2,500 euros.



Marc Herremans speaks at Senior Management Conference Milcobel

MILK: Our raw material, the basis of our values

Our core business immediately represents the values we want to project. Valorizing milk is what we do. MILK is what we are and how we behave.

M - Make it happen

Striving to improve is what we want to do. Showing ambition, pushing boundaries, overcoming setbacks and learning lessons from them, and maintaining our own set course. Achieving an ambition requires commitment and determination. To be courageous is to lead.

I - Integrity

We are honest with ourselves and others. We stand for clarity and open communication: everything can and may be said, even if it sounds less pleasant. We uphold the principle that you do what you say and say what you do. That makes everything transparent and clear. It requires courage, of course, but also ethics, integrity and fairness.

L - Loyalty

We are loyal to our organization's policy, standards, values, protocols and agreements. The collective interest takes precedence over self-interest. Loyalty is consistent with togetherness, collegiality and teamwork. A cooperative is the explicit expression of loyalty. To tackle challenges, to realize dreams and ambitions and to achieve results. Together, transparently and honestly.

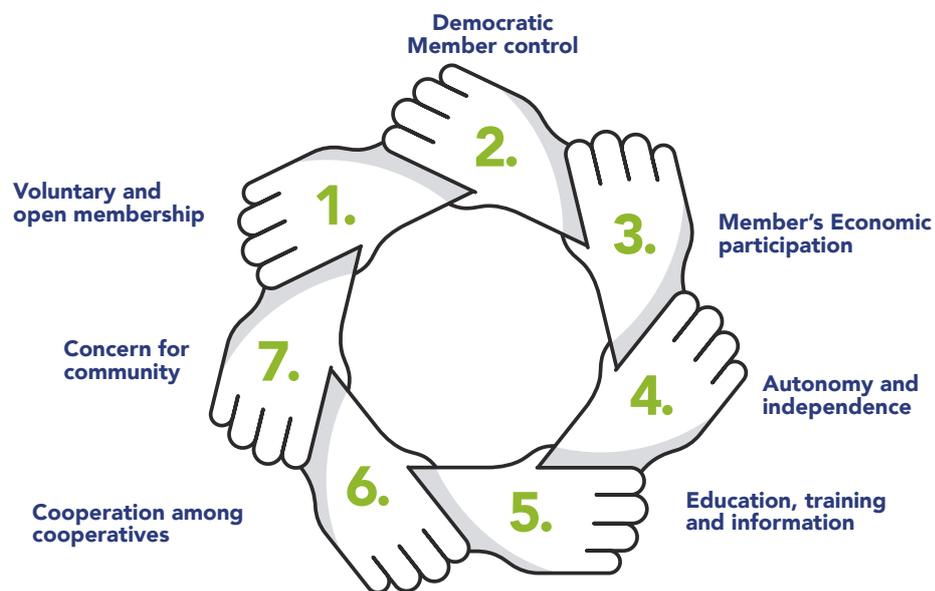
K - Knowledge and know-how

Quality is about more than just products. Quality also applies to our service, our communication, our openness, internally and externally. Quality expresses itself in our professionalism, our competence, our performance and our customer focus.

In dialogue with our stakeholders

It is the strength of the cooperative that we think long term, including for sustainability. Social changes are a reality; we must respond to them pragmatically and create opportunities around them. In addition to our internal stakeholders, our external stakeholders also play an important role herein.

A seven-way relationship with our members: As a cooperative, we organize the business according to the principles of the "International Cooperative Alliance" (ICA): voluntary and open membership, democratic control by the members, economic participation because of the members, autonomy and independence, education, training and information, cooperation between cooperatives and attention to the community.



With our view of the future, Milcobel offers dairy farmers strong advantages for doing business within a cooperative model. We reward quality and sustainability and offer a market-based milk price to our dairy farmers.

- A solid standard milk price
- Commit to quality through our quality premium
- Sustainability efforts that pay off thanks to the individual sustainability bonus
- Pasture milk as an important feature of our consumer products
- An important quantity premium that supports growth

In conversation with Frank Vergote, membership chairman at heart

Frank Vergote and his wife live and work on their 300-year-old dairy farm in Harelbeke. A farm that exudes tradition and authenticity. The farm has 25 cows and grows potatoes, wheat, sugar beets and coarse vegetables. Part of the corn crop is sold, and the extra heifers are sold on.

Frank has cooperative entrepreneurship in his blood. For no less than half of his life, he was a board member of the Member Circle Kortrijk, including 25 years as chairman.

In 1991, a whole number of smaller cooperatives in the west of Belgium merged to form Belgomilk. Frank - previously a home processor - joined and has been supplying Belgomilk, later Milcobel, ever since. In the search for a new chairman for The Member Circle Kortrijk in 1998, the board at the time quickly found Frank. Frank took on this chairmanship role for over 25 years and now he is preparing to pass the chairmanship torch to a successor.

Over the years, Frank saw a lot of evolution in the cooperative, with mergers, the grouping of the cheese activities in Moorslede, the start-up of the cheddar and mozzarella lines in Langemark, and the growth of YSCO, until finally it became the Milcobel we know today.

Frank very consciously chose an active role in the Milcobel cooperative out of a belief in the solution-oriented role you can play as a member as well as the benefits that come with it.

"Cooperative reasoning has to be learned. It was quite a change for us. We were always very independent as home processors, but suddenly we had to cooperate, consult, take into account a lot of other factors and opinions. What I appreciate about the cooperative operation is the great involvement, and the fact that we can co-decide. For example, we have been involved in discussions on farmer topics such as the sustainability monitor, and we have been able to participate in the decision making. Also interesting is that financial figures are discussed at great length. And we get updates from the business. Now that Milcobel is such a big company, it is important for us that everything is explained well. Board members also receive very interesting training programs, such as the ones I took from Boerenbond, SBB and CERA."



Customers: together with our customers, we want to look at how we can support their sustainability goals. Be it sustainable packaging, avoiding food waste, or sustainable projects that benefit our farmers. There are also increasing questions about our sustainability efforts, across the entire value chain. We engage in dialogue with our customers to find out how we can reduce our climate impact throughout our value chain and how we can contribute to a lower climate impact for our customers and their end consumers through product and packaging innovation.



Watch video of President Betty Eeckhout (in Dutch).



Research institutions: Milcobel is open to and participates in research and knowledge sharing with ILVO, VLAIO and Flanders' Food, among others, to stimulate research around sustainable dairy farming and put it into practice with our member dairy farmers.

Suppliers: As Milcobel, we have the ambition to look beyond the purely transactional aspect by really entering into dialogue and partnership with our suppliers in order to realize our shared visions together. We have started an extensive product risk screening and are evaluating our suppliers. In 2024, we will continue our efforts to further integrate sustainability themes into our risk screening and supplier evaluation.

Product partners: Tasty local products and the connection between farmers, products and consumers are important to us at Milcobel. Our partnerships with the abbeys of Westmalle and Averbode and the cooperation with Héritage 1466 (Herve) frame this. We invested in innovation at our Langemark site as part of our partnership with Arla Foods Ingredients for whey valorization.

Policymakers: Milcobel talks to policymakers about the prospects of (young) farmers. Today, agriculture is under strong pressure and an increasing number of farmers are quitting. Yet it is a necessity for our local food supply to keep the profession attractive for young dairy farmers. Step by step we can cooperate, give oxygen to farmers and ensure sustainable, healthy and local food also in the future. In this context, we stood up for our member dairy farmers over the past year with a clear statement in which we asked for more certainty for our farmers. This way we work towards a sustainable and viable future for our sector, supported by strong European and local policies.

Sector federations: Milcobel maintains a constructive dialogue with sector federations such as Boerenbond and ABS (General Farmers' Syndicate). Milcobel is also active in important organizations such as BCZ (Belgian Confederation of Dairy). Within BCZ and MilkBE we participate in specific working groups on milk supply and milk processing, among other things. At Fevia (Federation for the Belgian Food Industry) we are active members of the strategic advisory body that deals with sustainability issues within the food industry and various working groups. There we discuss topics such as the potential of CO₂ storage and carbon footprint calculation with a focus on scope 3. Finally, we are also active within VLAM (Flemish Center for Agro and Fisheries Marketing).



We are also taking a stand for the future of our sector through the sector federations, with strong united positions.



Our sustainability vision

A cooperative in which every link in the chain matters

Sustainability has to be looked at throughout the chain. From cow to customer, we work towards a sustainable future for local dairy farming and dairy processing. We look at how we can develop and distribute our products as sustainably as possible and engage in dialogue with our customers to also keep their climate impact as low as possible.



When we look at sustainability, 2023 was a year of acceleration, especially in terms of questions about sustainability, as well as a tightening of demands from the market, customers, and policy. Internally, too, there was an acceleration and deepening in the way sustainability topics are looked at, and sustainability is increasingly becoming a regular reflex in our business decisions. In 2023, our policy framework was formalized, priorities were confirmed, and we took the first steps in implementing our action plan.

The CSRD as a guide

We consider the society in which Milcobel operates. Milcobel seeks a balance between people and the environment in its sustainability approach. Both elements must reach their full potential and therefore Milcobel participates in important themes and challenges. Because Milcobel has its place within that society and wants to contribute to its progress.

We translated our vision into a formal policy. As a starting point, we conducted a materiality analysis in 2020. We determined a list of relevant sustainability topics and challenges, and together with the Cooperative Sustainability Working Group, the Board of Directors and senior management, assessed which topics are most relevant to Milcobel and its stakeholders, and where we can have the most impact. This also included the views of external stakeholders.

We also looked at the risks associated with our activities throughout the Milcobel value chain. What are the main environmental risks we must consider on the side of our dairy farmers and in our sites? Are there social risks associated with the raw materials we purchase externally? What risks do our own employees face in our production sites? Are we doing the necessary things to ensure good governance? These are just a few examples of the themes assessed. Of course, we also look at the positive impact we can make, the role we can play as a cooperative and the opportunities that can arise from this.

This approach led us to a list of sustainability priorities on which we worked from 2020 to 2023. Since Milcobel will be subject to the CSRD (Corporate Sustainability Reporting Directive) from 2026 onwards - reporting on fiscal year 2025, Milcobel created a roadmap to prepare for that. As such, we conducted a gap analysis and prepared an action plan in 2023. The same year, we also made a first iteration of a dual materiality exercise where the impetus for impact materiality was completed with a subsequent completion from the perspective of financial materiality in early 2024.

In 2024, we will continue to work on this list and conduct an external and internal stakeholder survey. This will help us focus on the themes already identified, set further priorities and adjust our objectives where necessary. For example, in 2025 we aim to achieve a first sustainability report in which we are already using some ESRS standards. Therefore, in 2023 we aspire to have a first carbon footprint measurement for scope 1, 2 and 3 so that we can work on a climate plan in 2024. In addition, in 2024 we want to look at how we can firmly embed the processes we initially went through in 2023-2024 into our governance structure and organization. For example, we will look at how to integrate risk management related to sustainability themes into our regular risk management and we will further formalize roles and responsibilities.

Our CSRD roadmap



Toward double materiality

In our journey to highlight our priority sustainability themes from a value chain perspective, impact and financial perspective, we followed the steps as advised by EFRAG. EFRAG is the organization commissioned by the European Commission to develop the European Sustainability Reporting Standards (ESRS). In addition to these standards, EFRAG published some tools to perform a double materiality exercise.



Step 1 Understand the context

We examined what process Milcobel needed to go through and considered how we could best approach it. We identified our value chain and our business model with respect to the sustainability themes and mapped out our stakeholders. In 2024, we will engage in further dialogue with our stakeholders to check the results of their insights and needs against our current priority list.

Step 2 Identification of current and potential impacts, risks, and opportunities

Based on our existing risk list, input from questions and needs of our customers, risk screening throughout our supply chain, and analysis of trends and evolutions in the market, we updated our risk, opportunity and impact (IRO) list. We compiled this list in a tool that we can also use in the coming years to assess new trends and evolutions.

Step 3 Assessment and capture of material impacts, risks, and opportunities

Because it is essential for us that everyone on the management team can assess the IROs associated with sustainability and make judicious decisions, we organized a working session in 2023 where we took the team through the interpretation of all steps in our value chain. We discussed the impacts, risks and opportunities associated with these and interpreted the principle of impact materiality. This is assessing these IROs from the "inside-out" perspective, i.e. Milcobel's impact on the environment and people. A similar exercise was also initiated in late 2023 to determine financial materiality from the 'outside-in' perspective, specifically how certain IROs affect Milcobel's performance in the short, medium, and long term.

During these exercises it was clarified according to which parameters this assessment could be done. The results of this assessment were finally consolidated into an overview with themes assessed from impact and financial perspectives, the double materiality. We also established thresholds and horizons. In 2024, we will also formally involve our internal and external stakeholders and start validating our final list of material topics.

Step 4 Reporting according to ESRS

We will then link our validated list of sustainability topics to the formal topics and sub-topics from the CSRD. From there, we can connect these to the ESRSs to be used to produce a first sustainability report based on CSRD. We aspire to produce this report by 2025, integrating already a first set of standards.

Our current policy is consistent with the initial insights from our dual materiality analysis

The initial conclusions from steps 1, 2 and 3 of our double materiality analysis align well with our current sustainability policy and priorities already set. The track helps us focus and confirm our priorities in relation to our member dairy farmers and the broader group of stakeholders in our ecosystem.

In the current phase of our journey, we have landed on a set of 18 topics that we are prioritizing, and which are also highlighted throughout this report.



X-axis: impact of Milcobel on people and the environment / impact materiality
Y-axis: financial impact on Milcobel / financial materiality

Our sustainability priorities are situated throughout the entire Milcobel value chain

Throughout our exercise to set sustainability priorities, we paid close attention to analyzing our value chain in depth. What risks do we see today and in the future? How can we deal with them, what impact do they have, or can we also identify opportunities? For example, we consider cooperative entrepreneurship to be a good business model to address the sustainability challenges of today and tomorrow. Also, our continuous dialogue with suppliers and customers is proof of how mutual trust and dialogue can create innovation and impact.

- Member structures and dialogue
- Ensuring a fair and sustainable income
- Attention to biodiversity



Dairy farms

- Animal welfare
- Responsible use of raw materials

- Seizing opportunities for energy efficiency and renewable energy at our members' facilities and sites

- Reducing greenhouse gas emissions
- Valorization of by-product and residue flows



Other suppliers

- Reduce greenhouse gas emissions from dairy farmers and other suppliers
- Human rights in the supply chain

Dairy production

- Ensuring a pleasant workplace
- Taking care of employees' health and well-being
- Growing and developing the talents of our employees
- Efficient use of water by our dairy farmers and in production



Customers

- Good customer relations
- Good corporate governance



Consumers

- Intelligent packaging for reduction, recycling, and reuse
- Quality and food safety are essential

How we integrate sustainability into our decision-making

In 2020, Milcobel already appointed a sustainability manager based on the conviction that the upcoming trends in society and regulations must encourage the organization to generate long-term impact for people, animals, and the environment.

Sustainability themes recur within Milcobel's decision-making processes. The theme is included within the governance structures of both the Cooperative Council and the Milcobel Board of Directors. Important decisions concerning, for example, the sustainability premium, social or environmental risks and investments are taken at this level. We make sure that the members of our management and executive bodies receive the necessary information so that they can make judicious decisions on these issues. There is also a cooperative sustainability steering committee within the cooperative operations. The members of this steering committee help draw up the preliminary lines for the sustainability program, the objectives, and actions in relation to the member dairy farmers and work as an advisory body for the Executive Board.

In 2023, the governance structure between the various Milcobel bodies was further shaped, partly in response to the upcoming CSRD. In addition to the appointment of a sustainability manager in 2020, three new local sustainability positions were issued and filled in 2023. These new sustainability officers will help facilitate the local rollout of our sustainability ambitions and provide support in the monitoring and reporting of our performance. We also recruited an energy manager in 2023 who will maintain a helicopter view of energy at group level and oversee the implementation of our energy action plan, as part of our broader climate strategy.

Two sustainability steering groups were also established. A first working group focuses on sustainability among member dairy farmers. A second working group works cross-site and cross-departmentally in the company. This steering group focuses on the further rollout of the sustainability strategy within the sites and helps implement this strategy from various disciplines. A number of supporting working groups (tribes) have been set up to accelerate our sustainability transition through mutual consultation, sharing best practices and discussing objectives, actions and related investments. We welcome the commitment of our local ambassadors. Finally, we also want to ensure that all employees are gradually more involved and we will inform all employees about our sustainability policy. Specifically, we plan in 2024 to include sustainability topics in our onboarding process for new employees and schedule periodic information sessions for our employees.



All our realizations are ...

... the result of collaboration and co-creation. That is the only way to always take new and further steps in a supported manner and with consensus. Concretely, we tackle this in different ways. For years, for example, we have had a cooperative sustainability working group with member dairy farmers that advises the Board of Directors when it comes to sustainability topics related to farmers. For the implementation of the CSRD guideline, we consulted with various departments and colleagues to identify the 'gaps'. A team was then selected to cooperate on its practical implementation.

Ruben Puype

Corporate Sustainability Manager

Our commitments

The 17 United Nations Sustainability Goals (SDGs) also form a sustainability compass for Milcobel. They cover all aspects of sustainable development. In recent years, Milcobel's various business units have already undertaken numerous actions that contribute to all 17 SDGs within the framework of the "VOKA Charter Duurzaam Ondernemen" (VCDO). We report annually to the Belgian Chamber of Commerce on our progress. We also link our priority objectives to the SDGs. From an "outside-in" approach, Milcobel can mostly contribute to the SDGs 2, 13, 6, 7, 9 and 12. Milcobel also subscribes to the 10 principles of the United Nations Global Compact.



Milcobel was recognized as an SDG Champion by Unitar of the United Nations because we were able to demonstrate at least the following:

- An annual realization of at least 10 actions in at least 4 of the 5 Ps (People, Planet, Prosperity, Partnership and Peace)
- Sustainability actions are linked to the core business and we thus ensure a sufficient degree of material impact.
- Sustainability is strategically embedded in the organization through 12 sustainability criteria (including training, knowledge management, develop your vision, stakeholder analysis, internal & external communication about sustainability ambitions, etc.)



Memberships and certifications

We also want to measure and communicate our sustainability efforts to our stakeholders. In addition to publishing a sustainability report, we also seek external validation through audits and certificates. Milcobel is a member of Sedex and United Nations Global Compact. At the request of customers, Milcobel also undergoes audits such as Ecovadis, SMETA (Sedex Members Ethical Trade Audit) and IFS (International Featured Standard) food. Subsidiary Ysco is also certified for BRC, organic, RSPO, RFA and Fairtrade.

Audits



Proud to be a
Sedex²
Member



Certificates



Milcobel discontinues the CO₂ neutral label for Brugge Cheese

The European Parliament decided on 17/01/2024 to ban CO₂ neutral claims on packaging. Since there had been uncertainty surrounding this issue for some time, we had already decided to discontinue the CO₂ neutral label on our Brugge Cheese.

Milcobel is a frontrunner on the Belgian cheese market with its Brugge Cheese and has been on the road to CO₂ neutral cheese for some time. CO₂ neutral is not an empty claim with us. Within the existing framework, we have worked towards CO₂ neutral cheese in a fully substantiated way. Our starting point is an annual calculation of our carbon footprint, "cradle to gate" (meaning: from farm to when the product leaves our cheese factory). Based on this, we have developed a concrete action plan to reduce our footprint. What we cannot reduce, we compensate partly via sustainable projects in Belgium or abroad. Moreover, we only received the CO₂ neutral label after a thorough verification via CO₂logic. And consumers were transparently informed via the packaging and the Brugge Cheese website. For local CO₂ compensation, we worked together with Claire and with local farmers who are committed to sustainability. So that is a win-win.

However, due to the uncertainty that has existed for some time about the upcoming legislation regarding CO₂ neutral claims, we have decided to discontinue the CO₂ neutral label. The packaging with the logo will still be used up and will then disappear from the retail scene in phases.

Of course, we continue to work on further sustainability with initiatives in our plants. On the other hand, as a Belgian cooperative, we also want to investigate how we can anchor our sustainability initiatives locally in projects with our dairy farmers. We also continue to work on making our packaging more sustainable. As such, we will continue to work on sustainability, but will no longer be able to inform consumers about it through our packaging.



03



**A look
at our
achievements**

A look at our achievements

We aim to realize a dairy cooperative that operates sustainably in harmony with society. As an organization in full transition, we have already set several goals and are looking back on a whole series of achievements in 2023. We further embedded sustainability in the overall business strategy. We did this by setting up a steering committee with members from the various business units as well as appointing local sustainability officers. This allows us to make more impact within our own operational sites. We are also taking steps to further integrate sustainable thinking into our value chain, in relation to our dairy farmers, suppliers, our customers and other stakeholders.

Environment

Working step by step on climate transition throughout our value chain



As a major producer of high-quality dairy products that is highly connected to all actors in our value chain, we bear an important responsibility in how we treat our planet. Therefore, we are prioritizing both the reduction of our own direct greenhouse gas emissions, along with efforts to also reduce greenhouse gas emissions from dairy farmers and other suppliers as well as contributing to the reduction of greenhouse gas emissions from our customers.

The challenges facing Milcobel and its dairy farmers are not the least. We strongly believe that dairy farming is part of the solution. We want to inspire our members and search together for feasible initiatives to reduce our climate and environmental impact. Ecology and economy go hand in hand. We do this even in non-evident times, with an agricultural sector under pressure. It is precisely at such pivotal moments that we can make the difference with our cooperative approach.

Milcobel endorses the Paris Climate Agreement and the European Green Deal. To achieve these international and European climate objectives, reducing greenhouse gas emissions is of great importance. It is Milcobel's preliminary ambition to reduce our carbon footprint by 35% by 2030 versus 2020 for scope 1 and 2.

In 2023, we prepared for a first comprehensive calculation of our scope 3 emissions. This will allow us to gain more insights and determine actions to also reduce scope 3 emissions as part of Milcobel's broader climate action plan. To monitor and validate this plan, Milcobel will join the Science Based Target initiative (SBTi) in 2024.

Our QESH director and environmental coordinator are jointly responsible for continuously improving our environmental performance. To this end, the team worked out the basics of an environmental management system in 2023. This stems in part from the environmental care legislation applicable to our sites. For the design and implementation of this environmental management system, we base ourselves on the ISO 14001 standard.



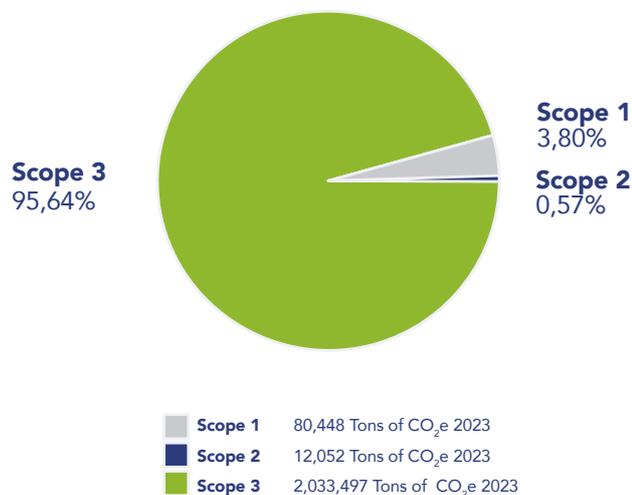
To measure is to know

More than 30 Milcobel colleagues worked together to calculate the carbon footprint for scope 1, 2 and 3. The process started with a scoping study, followed by drawing up an action plan to collect data for both the reference year 2020 and the year 2023. This high level of involvement from our various departments is crucial to implement fixed processes for our climate actions and to accelerate our data management. Measuring is knowing and just as measuring our carbon footprint for scope 1 and 2 has given us many valuable insights in the past, the comprehensive calculation of scope 3 is also a great opportunity to identify new improvement opportunities. The carbon footprint was calculated in accordance with the GHG protocol.

From data collection to results and target setting

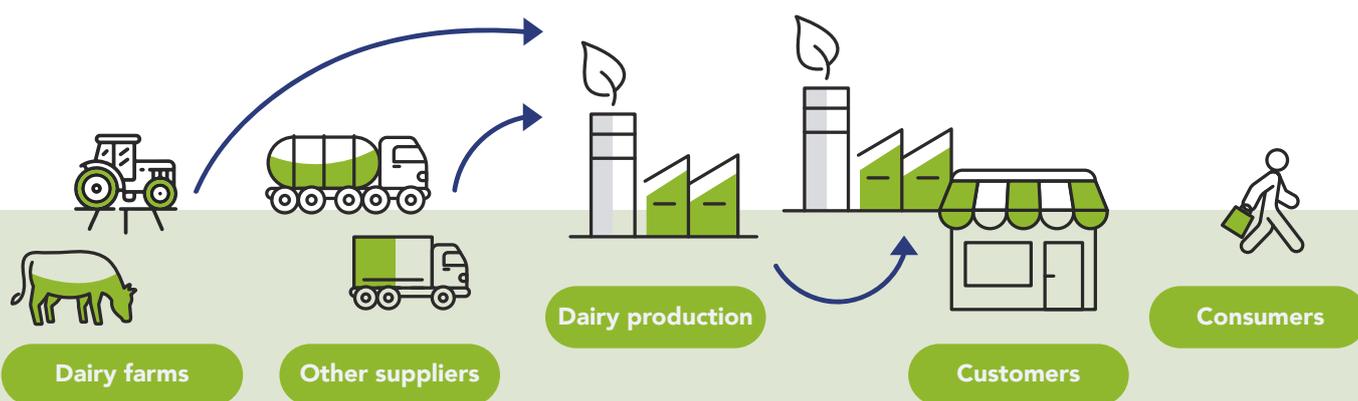
The initial results of this full carbon footprint provide insight into the focal points of our operations and offer an understanding of the priorities for our climate plan and associated reduction targets.

Analyzing our climate impact across the entire value chain, we see the greatest climate impact of our operations in scope 3, accounting for more than 95% of our emissions.



The main groups impacting this scope 3 are in the upstream section with our purchased milk taking up nearly 70% of our total carbon footprint. In 2024, we are working on preparing a comprehensive climate action plan and setting medium-term targets. For some themes, we are using the initial results of scope 3 to make refinements to our calculation, to do more research into the impact of our main raw materials and to analyze possible avenues for reducing their impact. We are also investigating how we can enter regular dialogue with our suppliers and customers in this regard.

Scope	Detail category	Ton CO ₂ e 2020	Ton CO ₂ e 2023	2023%	Evolution vs 2020 tCO ₂ e	Evolution vs 2020 %
Scope 1	Fugitive Emissions	1.104	938	0,04%	-167	-15%
Scope 1	Mobile Combustion	6.627	4.154	0,20%	-2.473	-37%
Scope 1	Stationary Combustion	97.487	75.656	3,56%	-21.832	-22%
Scope 2	Electricity	19.939	12.052	0,57%	-7.887	-40%
Scope 3 - Upstream	Goods & Services - Milk	2.043.441	1.477.950	69,51%	-565.491	-28%
Scope 3 - Upstream	Goods & Services - Other	461.937	427.097	20,09%	-34.840	-8%
Scope 3 - Upstream	Goods & Services - Packaging	44.895	42.684	2,01%	-2.211	-5%
Scope 3 - Upstream	Transport Upstream: Inbound	18.944	14.715	0,69%	-4.229	-22%
Scope 3 - Upstream	Transport Upstream: Outbound	30.708	28.358	1,33%	-2.350	-8%
Scope 3 - Upstream	Energy Supply	362	424	0,02%	62	17%
Scope 3 - Resources	Business Travel	15	33	0,00%	18	125%
Scope 3 - Resources	Capital Goods	5.654	6.026	0,28%	371	7%
Scope 3 - Resources	Commuting	1.484	1.254	0,06%	-230	-16%
Scope 3 - Resources	Waste	4.221	4.157	0,20%	-64	-2%
Scope 3 - Downstream	Customer transport	9.637	8.750	0,41%	-886	-9%
Scope 3 - Downstream	End-of-life of Product	3.595	3.198	0,15%	-397	-11%
Scope 3 - Downstream	Transport Downstream	13.941	8.596	0,40%	-5.345	-38%
Scope 3 - Downstream	Use of Product	7.583	6.139	0,29%	-1.444	-19%
Scope 3 - Downstream	Use of warehouses & Retail	4.956	4.116	0,19%	-840	-17%


Scope 3 : 93,65%

- Milk 69,51%
- Purchased goods and services including purchased cheeses and ingredients 20,09%
- Packaging 2,01%
- Inbound and outbound transportation (in-house) 2,03%

Scope 1 and 2 : 4,36%

- Scope 3 :** 0,56%
(business travel, commuting, waste, capital equipment, etc.)

Scope 3 : 1,45%



We observe a predominantly significantly declining trend in our overall emissions. There are several reasons for this decline: Less milk was processed in 2023 compared to peak year 2020 and several efficiency gains are evident in scope 1 and 2. Business travel was very low in 2020 because of the Corona epidemic. However, these emissions are negligible compared to the total.

How the Klimrek project leads to a lasting method that gives farmers tools to effectively implement climate measures on the farm

Most of the emissions are related to dairy farm activities. However, it appears that CO₂ emissions per liter of milk are among the lowest in Europe and even worldwide. How can the dairy farmer take practical action to reduce his own climate impact? The dairy farmer gets an answer to this question through the climate scan. This climate scan is the tool resulting from the 'Klimrek' project, a collaboration between ILVO, Boerenbond, Vito and numerous other partners, including Milcobel. The scan comprehensively maps the dairy farms' activities that can influence climate impact (such as nutrition, energy consumption, fertilization, water consumption, etc.) and calculates the carbon footprint of the company and its entire supply chain. Based on the scan, a customized climate-oriented sustainability plan is then drawn up with a climate consultant. This plan considers the feasibility of measures for the specific farmer and the impact of these measures ecologically and economically. In a pilot phase, 130 companies already participated, including some 30 Milcobel member dairy farmers. Now the scan can be widely used, and it is Milcobel's ambition to stimulate more dairy farmers to start such a climate trajectory. As an extra incentive for our members, we included the investment in an energy scan in our sustainability monitor. This way, participants are rewarded for their efforts through the sustainability premium.



Geert Vandenbussche and Sofie Vanpeperstraete had a Klimrek climate scan performed on their dairy farm "De Biezenhoeve"

Energy

Within scope 1 and 2 of our carbon footprint, energy-related activities take up the largest share. Here the heating and cooling processes within our production plants are the major consumer and in recent years Milcobel has invested in making these processes more sustainable. In comparison with 2020, Milcobel reduced the emissions resulting from gas consumption by 18%, those for electricity by 10%, those for fossil fuel combustion of our installations by 20% and those for logistics and transport by 42%. The latter can be explained by a combination of changed milk volumes, a larger share of outsourcing of transport and the electrification and sustainability of our vehicle fleet.

Two of our three milk processing sites use a combined heat and power (CHP) system to convert primary energy (natural gas) very efficiently into electricity and heat. At one of our production sites, we use a heat network to heat up process water with residual heat. The Halen (Limburg) site already has solar panels and in 2024-2025 we will equip all our production sites in Flanders with solar panels. In 2023, we also renewed our commitment under the Flemish Energy Policy Agreement (EBO) for the Kallo, Langemark and Moorslede sites. We also worked out a detailed plan for the Bruges site. We identified several new measures that we will also implement in the coming years, and we foresee the necessary investment plans for them. To achieve the reduction targets towards 2030, we identified several possible avenues that we will study further. These include:

- Upgrading waste heat with heat pumps
- Expansion and sustainability of the heat grid in Langemark
- An in-house biogas plant
- Installation of solar panels
- Phase-out of natural gas-fired CHPs
- Switch to electric fleet and sustainability efforts for our milk collection trucks

We defined specific actions for the period 2024-2026. Here we made a distinction between actions that can be planned and implemented immediately and those that require further study in terms of investment, preconditions, and absolute reduction potential in terms of energy and CO₂e emissions.

Energy consumption within the organization (Scope: locations Brugge, Kallo, Langemark, Moorslede, Argentan, Barchon, Halen)

Total energy consumption from non-renewable sources	Unit	2020	2021	2022	2023	Evolution vs. 2020
Purchased gray electricity	MWh	80.116	75.032	72.269	72.032	-10%
Gas	MWh	507.357	432.574	411.211	415.396	-18%
Fuel Oil	1.000l	162	159	132	130	-20%
Electricity sold	MWh	6.505	6.736	4.345	4.703	-28%
Upstream and downstream transportation and distribution	1.000l	2.641	2.257	2.791	1.520	-42%



More efficient and sustainable production thanks to electrification

As part of our ambition to valorize our by-product streams more highly, Milcobel decided to invest in innovation for the thickening process of our whey by-product stream. The old, classic way of thickening this by-product stream was by evaporating the liquid with heat. This is a very energy-consuming process. We replaced this process by using an ultrafiltration and reverse osmosis plant. With ultrafiltration, water is extracted in the process, which separates the fractions in a more energy-efficient way and allows us to make whey permeate concentrate.



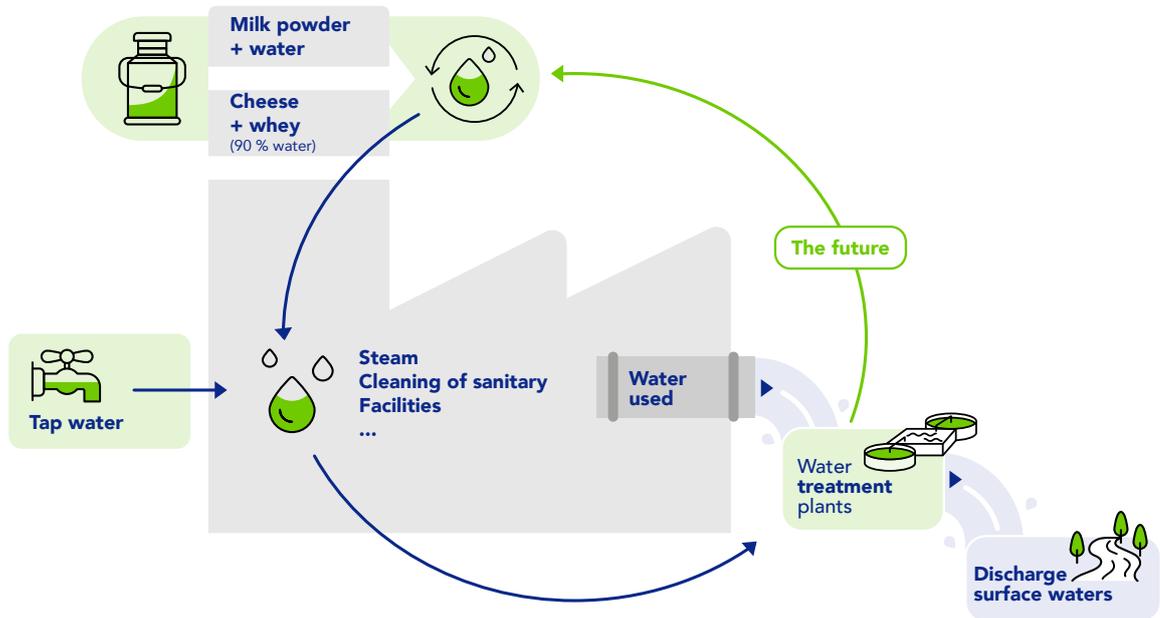
The new UF/RO plant in Langemark was commissioned in 2023

Water efficiency at our dairy farms and in our production

Water is a very important topic, both in our supply chain and in our production facilities. This is why we prioritize it. Flanders, where much of our water impact is located, is a water-scarce region, despite sufficient rainfall. This is due to the rapid drainage of rainwater and the high population density combined with intense industry. Therefore, we want to be very careful with our water resources.

A **dairy farm** consumes a lot of water: 75% of water consumption goes to drinking water for the cows, 20% to cleaning the cooling tanks and milking machines. Add to this the water consumption for cultivations to be self-sufficient in feed crops, among other things. Both economically and ecologically, water is a precious commodity, so both farmer and environment gain from reducing the water footprint of milk. Through the sustainability premium, our members are encouraged to use water sustainably by tapping alternative water sources and water reuse. In 2023, 73% of our members took initiatives around water and soil management which is over 30% higher than the industry average.

Given the high level of water required at our **Milcobel sites**, responsible water use is an absolute priority at our dairy processing sites. Moreover, five of the seven sites are located in water-scarce areas according to the World Resources Institute's (WRI) 'Water Risk Atlas'. The majority of our water needs are for the cleaning activities of RMOs (Riding Milk Receipts), tanks, pipes, process plants, etc., among others. All our sites have their own water treatment plants or discharge limited amounts into a public sewer connected to water treatment. We do not use groundwater, and about 40% of the total water requirement in our plants consists of water recovered from incoming milk. Also, for the future, we want to further reduce our dependence on tap water and increasingly purify our wastewater, so that we can reduce both our water intake and relative water discharge.



Visualization of incoming and outgoing water flows, applicable for the Langemark, Kallo and Moorslede sites.

We aim to generate 75% of our water consumption at the sites from recovery (out of milk) and reuse of water by 2030. In 2023, the average reuse was 44%. This is a similar result compared to the year 2022.





		Unit	2020	2021	2022	2023	Evolution relative to reference year 2020
Water intake and consumption	Tap water	m ³	1.623.044	1.564.556	1.647.260	1.543.337	-5%
	Recycled and reused water	m ³	1.526.021	1.299.575	1.209.831	1.178.427	-13%
	Rainwater use	m ³	872	798	0	0	
	Surface water	m ³			0	0	
	Groundwater	m ³			0	0	
	Total water consumption	m ³	3.149.937	2.864.929	2.857.091	2.721.764	-14%
Discharge of water	Wastewater after wastewater treatment (discharged to surface water)	m ³	2.628.402	2.314.593	2.214.774	2.286.697	-13%
	Wastewater discharged into sewer system	m ³	56.019	132.032	144.673	154.640	x2,76
	Total wastewater discharged	m ³	2.684.421	2.446.625	2.359.447	2.441.337	-9%
Share of alternative water source	% alternative water source (milk)	%	48%	45%	42%	43%	-11%

Milcobel wants to be largely self-sufficient in water supply at its own sites by 2030

At the Langemark site, Milcobel has installed a second Reversed Osmosis installation to be able to reuse even more water and thus require less tap water. Water is crucial in our production process. Working with dairy requires frequent cleaning of milk collection trucks and production equipment. Today, Milcobel does not use groundwater and we already recover almost half of the process water from milk, especially during the drying process when making milk powder and during cheese making.

In that context, Milcobel, within the Flemish Blue Deal against water scarcity, is now working together with water purifier 'Aquafin' and 'Pantarein Water', a company that helps industry switch to circular water use. Our new water treatment plant on our Langemark site will further upgrade treated water coming from Aquafin to drinking water quality, for subsequent use as process water, through a far-reaching filtering process. This will lead to greater independence from tap water.



Attention to biodiversity

Our natural world consists of a great biodiversity. It includes all types of plants, animals, and microorganisms. All these species work together in an ecosystem and thus create balance in nature. Milcobel finds it important to help protect biodiversity. Through a pragmatic policy, we encourage our member-dairy farmers and other suppliers to pay more attention to biodiversity and a healthy soil.

With the following actions, a dairy farmer can contribute to biodiversity conservation and restoration:

- **Building attention to biodiversity.** Dairy farmers can enter into no-obligation management agreements for
 - field bird or meadow bird management;
 - local spring varieties;
 - plot edge management;
 - management of small landscape elements.

Members who implement any of these measures will receive an additional sustainability bonus for doing so.

- **Encourage soil care and carbon farming.** For dairy farmers, soil is important for feed production. Good and innovative soil management ensures that soils become more resilient to climate extremes, necessary to continue to guarantee feed production. Through carbon build-up in the soil, CO₂ can be captured. Traditional crops and soil tillage can be supplemented with more sustainable methods such as the cultivation of leguminous plants, non-inversion tillage and other techniques.
- **Conscious use of chemicals and fertilizers.** Livestock farming is part of a natural nutrient cycle. Therefore, reducing chemical and fertilizer use is important. Our dairy farmers typically hold a phytolicense, which means the dairy farmer is trained to use pesticides judiciously and safely. Farmers who commit to a soil analysis and a fertilization plan to target fertilization receive additional points in the sustainability premium.

Our dairy farmers do not use antibiotics preventively and receive a premium for preparing a plan of action for responsible antibiotic use. Most of our members apply selective or environmentally friendly control of insects, mites and parasites such as with fly plates, insect traps and fly lamps.

These principles are also included in our sustainability monitor. 53% of our members took biodiversity-stimulating measures by 2023 by entering into management agreements.

Suppliers of other raw materials are also involved in our biodiversity approach. By using ingredients such as palm oil or cocoa for our dairy products or paper for packaging, we as a sector are indirectly subject to risks of deforestation and associated loss of biodiversity. Milcobel is committed to ensuring that our activities do not encourage deforestation or loss of biodiversity. These risks are therefore included within our responsible chain management policy and are part of our risk assessment and supplier evaluation. We encourage our suppliers to avoid this indirect impact and to demonstrate their efforts through certificates. Milcobel also keeps its finger on the pulse in terms of regulations within this theme such as EUDR (EU Deforestation Regulation) and EUDD (EU Due Diligence Directive) and is preparing internally with the relevant teams by implementing the necessary processes and examining and preparing reporting requirements.



Certificates as a tool in the supplier screening and evaluation process

As part of our sustainable procurement policy, we ask our suppliers to sign our Supplier Code of Conduct or - alternatively - if they have their own. We also ask them whether they can back up their sustainability results with recognized certificates or ratings. In addition to requesting these certificates, we also check whether suppliers are members of Sedex or have received an Ecovadis rating.

We use specific certificates for high-risk raw materials. We also coordinate these choices with our customers. Below is an overview of certificates that are fully or partially applied to purchased products.

Raw material	Certificates
Cocoa and nuts	Rainforest Alliance, Fairtrade
Palm Oil	RSPO
Wood, cardboard and paper	FSC/PEFC

Our own production sites are not in biodiversity-sensitive areas, but sometimes they are nearby.

At our own production sites, the greatest biodiversity risk lies in the consequences of norm violations in our discharge water after treatment. Therefore, we continuously monitor our facilities to detect potential risks and take preventive action.

In addition, as part of biodiversity restoration, we aim to avoid pesticide use at production sites by 2025, except in the context of selective pest control. By the end of 2026, we will prepare a management plan for the sites to provide more opportunities for biodiversity development on the industrial sites.

Daily monitoring of water treatment minimizes risk of irregularities

Milcobel operates 4 of its own water treatment plants. The installations are closely monitored daily by real-time measurements and automated sampling of influent and effluent. Milcobel has the necessary accreditation to analyze those samples itself in its own labs. When necessary, the process parameters are adjusted. An incident management plan is in place so that any spills can be anticipated decisively. We enter transparent and proactive consultation with the authorities whenever we encounter relevant issues. Regular investments are made in the installations to keep the necessary performance high.





Smart material choices, promoting circularity and reducing waste

As raw materials and resources are precious, we use them as efficiently as possible. Through the minimization of food losses, the maximum valorization of residual streams and innovative product packaging, we strive for the circularity of raw materials and materials.

Responsible resource use

To convert our milk stream into quality products, we need to purchase and process a lot of additional raw materials. This requires responsible purchasing and stock management. The principle of sustainable purchasing is therefore integrated into our purchasing policy. We are constantly investigating the possibilities of using less material and purchasing product packaging with more recycle where possible. For food products, our ambition is to conduct further research into alternative raw materials that contribute to lower CO₂e emissions.

At our own sites, we focus on efficient and responsible inventory management. This requires close cooperation between our various departments such as purchasing, logistics and warehouse operations, finance, and ICT. Our cross-site 'operational excellence' team manages to iteratively implement new improvements such as better inventory management, thanks to the 'kaizen' processes they initiate.

The implementation of SAP as an ERP system in Milcobel Consumer Products will also optimize the follow-up of inventory management in this business unit, to maximally avoid product loss. (Within Milcobel Premium Ingredients, this was already implemented several years ago.)

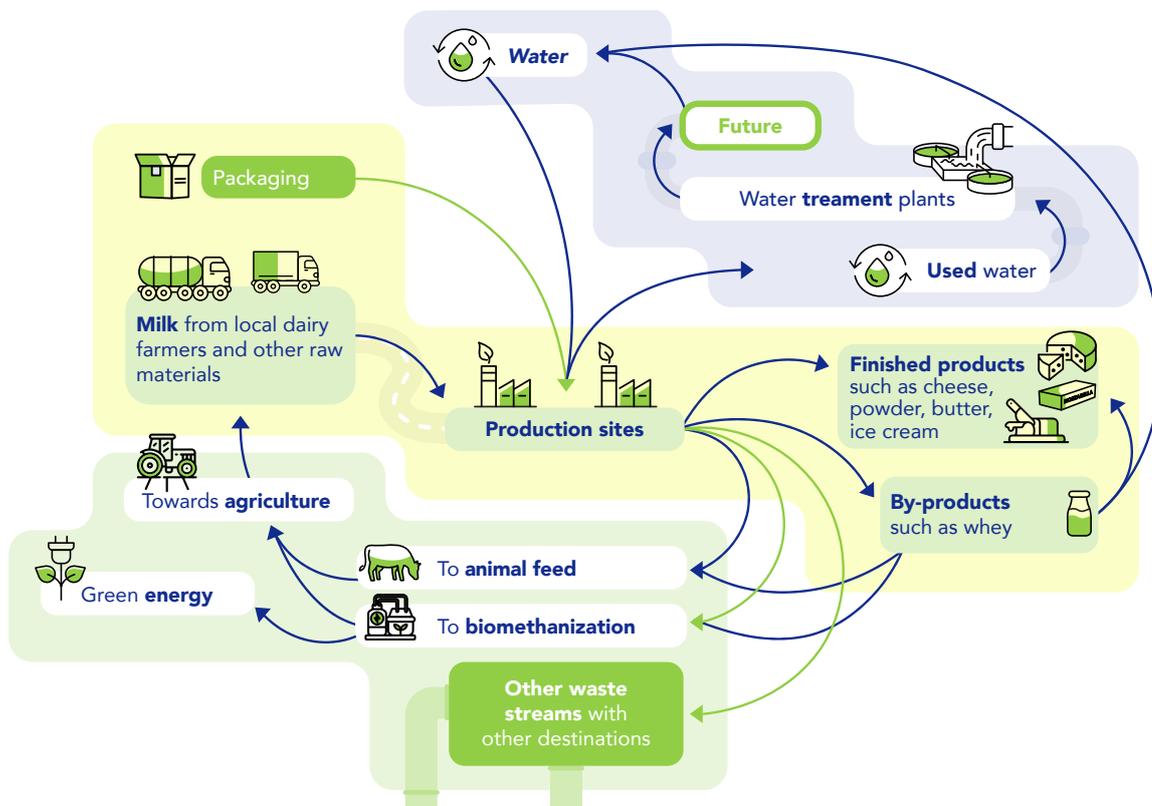
Cleaning our installations requires a lot of water and cleaning agents. Here too, maximum efforts are made to reuse water and cleaning agents. During the "Cleaning in Place" (CIP) process, water from the last rinse is saved for the first rinse in the next cleaning cycle. Nitric acid and sodium hydroxide are mainly used as cleaning agents, as they do not leave harmful residues in the water treatment process.

Valorizing by-product and residual streams

Milcobel considers it a priority to map, monitor and improve our residual food and non-food related streams. Within the food-related residual stream (food), we employ a strategy where we minimize food residues (such as cutting residues).

For non-food related waste streams (non-food), we apply the principle of avoidance (or reduction), sorting, recycling and, as the very last option, incineration. The residual waste from the site in Argentan, France, is landfilled today because there is not enough incineration capacity in the region. It represents only a very limited amount of the total waste stream.

Our largest non-food related waste stream is sludge from our water treatment systems. Our goal is to reduce food loss by half by 2030 compared to 2020, and to maximize valorization of by-products from all sites. This can be achieved through further reduction of non-conforming products, reduction of scrap, reduction of milk losses and continued research into new innovative valorization opportunities.



Milcobel starts supplying whey protein concentrate

In 2023, Milcobel started preparations to process the whey flows from its mozzarella production in Langemark. This results from a cooperation with the Danish dairy company Arla Foods Ingredients. The whey, which is released as residual steam in the production of mozzarella, was previously only partly sold to the food industry where it was usually processed into sports supplements and ice cream. The rest was used as animal feed.

From 2024, Arla Foods Ingredients will deploy whey from Flanders in the production of specialized and high-quality ingredients for premium protein markets. These include Milk Fat Globular Membrane (MFGM) for infant nutrition and whey protein hydrolysates for medical nutrition. Within the partnership, Milcobel and Arla have entered a multi-year supply contract under which Milcobel will supply whey protein concentrate to the Danes.

The partnership also required the necessary investments by Milcobel to meet the strict quality requirements for the raw material. We invested in an installation for ultrafiltration and reverse osmosis for the whey stream in 2023 and made other technical adjustments to valorize this high-quality by-product. These plant modifications will have the additional effect of raising the quality of mozzarella even further, opening up even more sales opportunities.



Smart packaging to reduce, recycle and reuse

Packaging plays a crucial role. Packaging ensures product quality, food safety and reduces food loss throughout our value chain but also makes up a relative share of our carbon footprint (2%). Consumers are placing increasing importance on the sustainability of product packaging. Both in our supply chain and in our finished products, different packaging materials affect our CO₂e emissions. Dialogue, smart choices and innovation are our keys to achieving improvements in this domain.

Milk is collected from dairy farms in tanker trucks (RMOs) without any packaging. We also reduce packaging for the other incoming product flows, or we ask our suppliers to use more sustainable packaging material so that it can be reused. We also ensure that packaging material is well sorted so that it can be reused or recycled in the best way possible.

For our consumer cheese, we try to avoid as much packaging as possible or reduce its use. We do this by using carts and crates in a pool system. Products such as milk powder can also go to the customer in bulk trucks. In addition, we further strive for only recyclable consumer packaging. The packaging for milk powder and ice cream was previously given a makeover in which the quantities of plastic and cardboard were significantly reduced.

Milcobel meets the take-back obligation and contributes financially to systems such as Fostplus and Valipac to promote waste sorting and recycling.

Within our packaging policy, we focus on four domains that we tailor to the specific business unit within Milcobel. For each business unit, customized targets are put forward aiming at a positive impact with regards to packaging.



Reduce

To less or no packaging



Reuse

Wherever possible



Recycle

Keep everything in circulation



+ Raw material

Environmentally friendly raw materials



We aim to further reduce packaging wherever possible. We want to evolve towards 100% recyclable packaging for our consumer cheeses in the short term, use 100% recyclable packaging for the European business to business market by 2027, and globally by 2030. We will increase the proportion of recycle where economically possible, taking into account food safety and shelf life. However, we are confronted with limited availability of suitable materials for some applications.

Description	Unit	2020	2023	Evolution vs 2020 %
Total waste generated	Ton	68.523	67.019	-2%
Hazardous waste separated for disposal	Ton	241	96	-60%
Hazardous waste separated and prepared for reuse	Ton	36	8	-79%
Hazardous waste separated and recycled	Ton	205	28	-86%
Hazardous waste segregated and destined for other processing applications	Ton	0	59	
Non-hazardous waste separated for disposal	Ton	66.588	65.279	-2%
Non-hazardous waste separated and prepared for reuse	Ton	49.498	47.012	-5%
Non-hazardous waste separated and recycled	Ton	509	2.998	x4,89
Non-hazardous waste segregated and destined for other beneficial uses	Ton	16.200	14.959	-8%
Hazardous waste directed to disposal	Ton	1.694	1.644	-3%
Non-hazardous waste separated for incineration	Ton	0	0	
Non-hazardous waste separated for landfill	Ton	/	/	
Non-hazardous waste separated and destined for other forms of disposal	Ton	/	/	
Hazardous waste directed to disposal	Ton	0	0	
Non-hazardous waste separated for incineration	Ton	1.694	1.643	-3%
Non-hazardous waste separated for landfill	Ton	948	944	0%
Non-hazardous waste separated and destined for other forms of disposal	Ton	0	0	
Total amount of waste not recycled	Ton	18.842	17.606	-7%
% non-recycled waste		0	0	-4%
Total amount of hazardous waste	Ton	1.935	1.739	-10%

Presentation of waste streams in 2020 and 2023 for all Milcobel sites

Social

To bring our quality products from farm to fork, a lot of people contribute throughout our value chain. As a cooperative, we attach the highest importance to everyone's role, their contribution and how we value them. We identify risks for our supply chain and are committed to dialogue and cooperation with our dairy farmer cooperants.

As a large company with its main activity in Belgium, it goes without saying that the role of our employees on our sites is equally crucial. With more than 1800 employees, Milcobel forms a diverse team, rich in talent, culture and diverse in expertise and experience. We hold this principle dearly.

Our delicious products are brought to a huge group of consumers worldwide. Therefore, we focus on providing an outstanding quality product that meets the demands of our customers and consumers. A lever to strengthen the relationship with our customers and end consumers is the commitment to strong and accessible customer dialogue and communication. This allows us to identify needs that can also lead to innovation.

Milcobel undertakes to work in a manner that (at least) meets fundamental responsibilities in the areas of human rights, labor and anti-corruption

Milcobel complies with all applicable laws and regulations of the countries and markets in which we operate. This means that Milcobel does business according to the following values:

- Diversity & inclusion: Milcobel respects inclusion and equal employment opportunities resulting in a diverse workforce.
- Fair treatment: Milcobel does not tolerate any form of harassment, intimidation, discrimination, or offensive behavior.
- Free from forced labor: Milcobel does not use or participate in any form of coercion, pressure, deprivation of liberty or forced labor of any kind. All work is voluntary, and employees are free to leave and terminate employment without fear of any form of abuse. Milcobel prohibits slavery or human trafficking throughout the chain.
- Free of child labor: Milcobel prohibits child labor throughout the chain. Employees must be of the minimum legal age of 18.
- Fair compensation: Milcobel complies with all applicable rules for minimum wage, overtime and maximum number of working hours as laid down in the laws and regulations of the countries where Milcobel operates.
- Freedom of association: Milcobel respects the possibility of our employees to be represented by unions and works in good faith with the bodies collectively elected by employees to represent them, through the works councils.

Milcobel has been an active supporter of the United Nations Global Compact since 2008 and subscribes to the Ten Principles of the Global Compact in the areas of human rights, labor, the environment, and anti-corruption, as well as the ETI Base Code, thus demonstrating its commitment to applying the principles and further integrating them throughout the value chain.



Consideration for our employees

Our teams are the engine of our production and operational environments. They guide Milcobel through the challenging transition in becoming the sustainable dairy cooperative of the future.

In doing so, we strive for a strong safety and well-being culture, with motivated and committed employees. We embrace the diversity of society expressed in our organization. We want to create opportunities for our own employees and, thanks to our strong values and interesting job content, attract complementary new talent. This is how we work to guarantee a nice, future-oriented job for each.



We have declared 2024 the year of connection. We want to connect with each other. Not necessarily getting our knowledge, skills and inspiration outside, but seek and find it internally.

Edith Hamelryckx - HR Director Milcobel



Ensuring workable work

At Milcobel, we make cheese (for consumers or as an ingredient), amongst others, we buy it, cut or grate it, package it and resell it. We also make butter, cream, whey, milk powder and ice cream. To do so, we employ a total of about 1,800 people in a wide variety of positions. Milk is a very fragile raw material. It must be collected at regular intervals at the dairy farm by our drivers, where it is immediately checked for quality, and then transported in specially equipped trucks. Upon arrival at the company, a second check is conducted in our lab. Then there is processing, there are checks on the finished product, there is packaging, maintenance... As such, we house many disciplines, and our employees have many diverse roles

Each employee profile has specific needs and competencies, which are not always easy to find in the current labor market. That is why we ensure that those who work for us are well supported to be able to give their best. At the basis is a broad and multidisciplinary HR policy which lays the foundations for an ideal employee journey and is aligned with the corporate strategy. As an inclusive employer, we focus on attracting and retaining a diverse group of employees.



Therefore, we worked out a fair wage package which meets the needs of our employees. This package was put together with 4 key elements in mind: offering a market-based compensation with the cooperative in mind, coupled with clear objectives and, above all, focused on intrinsically motivating our employees.

Milcobel wants to offer its employees wages in line with the market. That is why, in 2023, we objectively mapped out the job classification of all blue-collar jobs, weighted them based on the package of tasks, and linked a correct remuneration to this based on the principle of equality. This involved levelling the Langemark, Kallo and Moorslede sites. This project was carried out in cooperation with certified partner Optimor and is based on the official ORBA method, which is the standard in the food sector. This structure was linked to the new job classification, and the agreements were converted into a collective bargaining agreement, which came into force on January 1, 2024. A similar exercise is also underway for white-collar workers. Our collective bargaining agreements guarantee equal pay for equal work, regardless of age, sex, gender, or religion. We give equal opportunities to the young, as well as the older employees.

In addition to regular income, we offer our employees numerous fringe benefits for social support such as life insurance, group insurance, ambulatory expense plan, bicycle lease, hospitalization insurance, income guarantee insurance, private accident insurance, childcare intervention through Alimento, etc.

Within a large organization such as Milcobel, social consultation and employee representation is very important. Employees have every right to join trade unions, monthly works councils, etc. In 2023, 56 meetings took place as part of social consultation in Kallo, Moorslede, Bruges, Langemark and Argentan. In Barchon, we have less than 100 employees and no formal works council is established. Nevertheless, social dialogue is also important there.

Changes in working conditions such as adjustment of working hours, vacation regimes, pay scales, etc. are always done constructively and with two-way dialogue through social consultation. Every four years, employees can elect their representatives to participate in the local works council and the Committee for Prevention and Protection at Work (CPPW).

Agreed terms of employment are set out in writing in collective bargaining agreements. These apply to everyone. At the group level, social consultation focuses on major issues such as the labor deal, purchasing power, equal pay policy, working conditions, etc. Here the focus is on working together towards a common goal. Based on the idea of connection and dialogue, we will therefore also put maximum effort into non-formal dialogue with employees, daily conversations between employees and managers and a major focus on knowledge sharing.

Attention to employee wellness and health

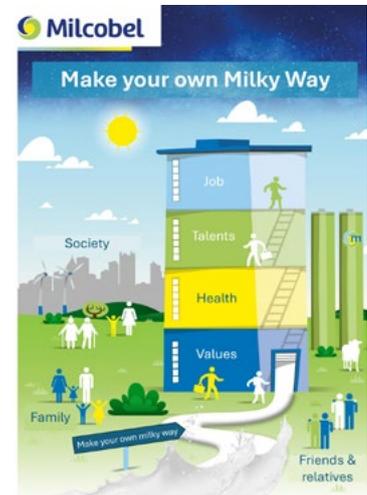
Connecting to promote well-being

Milcobel strives to offer all employees a healthy, pleasant, and high-performance work culture. Above all, this approach must lead to our employees being able to grow with us within our corporate strategy. The well-being of our employees is one of the core elements in our human resources policy where we reached important milestones in 2023.



We visually represent our well-being policy as a house: our house of well-being. The 4 floors of this house represent the 4 elements that work together to ensure that our employees are resilient and can enjoy working:

- **VALUES:** this is the basis of our cooperation. These are the values that everyone finds important, such as respect and appreciation. But we also find Milcobel's values here.
- **HEALTH:** by this we mean both physical and mental health, everyone's resilience.
- **TALENTS:** the things that each is good at and enjoys doing, as well as the knowledge and skills that everyone needs to do a job well.
- **JOB:** the job content and job requirements, the way the work is organized, the people management style, etc.



We want to continue to encourage our employees and allow them to grow within a healthy culture for body and mind. Milcobel ensures it adheres to regulations regarding questioning employee satisfaction and well-being. However, our emphasis is on continuous listening. Our well-being manager worked out an approachable policy on well-being at work and in 2023 important steps were taken within this theme. A major accomplishment is the launch of an "Employee Assistance Program" (EAP).

Milcobel launches Employee Assistance Program

The safety and health of our employees are important priorities. Not only physical threats or ailments, but also psychological problems can damage safety and health. Milcobel wants to help all employees deal with these kinds of problems in a positive way and prevent them as much as possible. Hence, starting in 2023, we are offering our employees and their resident family members (partner, children, parents) an assistance program, the Employee Assistance Program. In collaboration with Pulso, we offer employees psychological support, legal and financial advice, social support, and health support. Managers can specifically request management support. Milcobel offers this service as accessible as possible: a simple phone call or email can initiate a support process. Initial figures indicate that most requests for help go to coaching and therapy, followed by legal or financial advice requests and a third group of calls for health support.

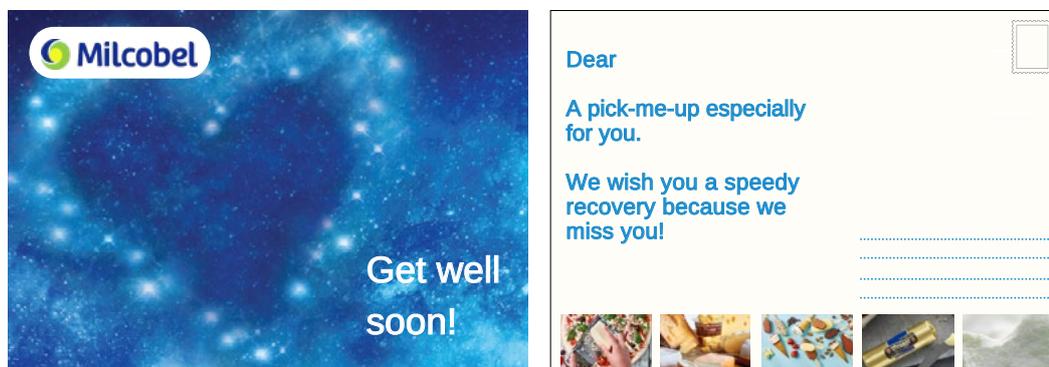


A positive attendance policy

As part of our welfare policy, it is important that our employees are working and continue to work in a healthy way (both physically and mentally). This is why Milcobel strives for a positive attendance policy in which efforts are made to ensure that an employee is less frequently absent due to illness and the duration of absenteeism remains shorter. Moreover, health is more frequently discussed between employee and manager. Again, the idea behind it is building strong connections.

On the one hand, this dialogue is essential to be able to timely support employees who are in danger of dropping out for health reasons and thus limit absence due to illness. On the other hand, Milcobel tries to stimulate and guide return after illness. A positive attendance policy means a win-win situation for all parties. It requires a shared responsibility of management, supervisors, and employees. Management undertakes to ensure good working conditions, to guide and train supervisors in interviewing before, during and after illness. The attendance policy is evaluated annually and adjusted if necessary, partly in consultation with the CPPW and the Works Council.

The implementation of this policy is also accompanied by practical tools, such as onepagers that clearly outline the sickness reporting procedure, or postcards that colleagues are free to use to support their sick colleague. We have also trained our managers and have provided an "e-learning" module for this purpose, which has been positively received.





Maximum commitment to safety



We strive to provide top quality dairy products without risking the safety, health, or welfare of employees, (sub)contractors, visitors and customers.

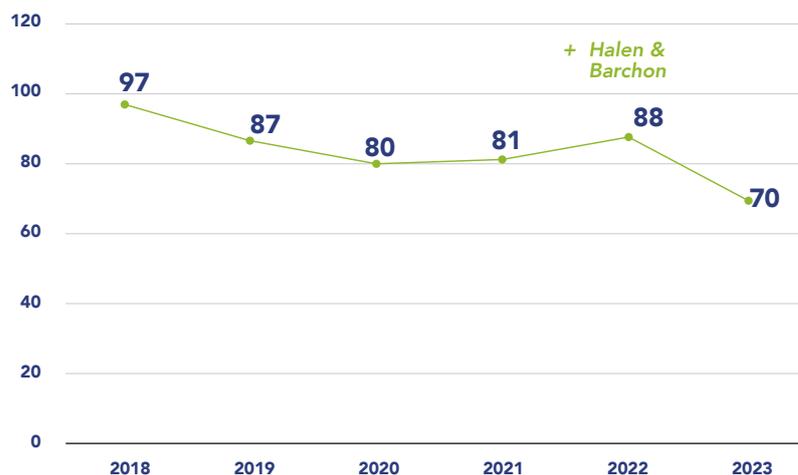
Safety is therefore a core concern at Milcobel. That is why we develop a culture with safety and quality at heart. To this end, we apply our own safety policy at all Belgian sites, each of which has a local safety manager. Within Milcobel, committees for Prevention and Protection at Work (CPPW) were established at 5 of the 7 production sites (Moorslede, Bruges, Kallo, Langemark and Argentan), which provide monthly advice on our safety and well-being policy for the employees involved at those sites.

We manage our health and safety risks in accordance with all legal and other requirements and continuously improve our health and safety performance. Our ambition is to have accident rates and severity rates at least equal to or lower than the industry average by 2025. Our motto in this regard is "Go for Zero".



In 2023, our safety results were better than ever, staying below the set targets in terms of the number of occupational accidents (with or without injuries). Extensive projects are being carried out at all sites to raise awareness and train all employees on safety in the workplace. The Moorslede (409), Barchon (186) and Brugge (181) sites broke records for the number of days without accidents, and the Milk & Farms department (with many drivers on the road every day) has been accident-free for more than a year.

Number of accidents



		2022	2023
Ratio of work-related injuries with major consequences (number/number of hours worked)*1000000	Moorslede	0	0
	Bruges	2,5	0
	Camal	0,0	0
	Kallo	6,7	3,2
	Langemark	0,0	2,6
	Kaasbrik	0,0	14,5
	Langemark	3,8	2,4
	Argentan	0	0
Ratio of recordable work-related injuries (number/number of hours worked)*1000000	Moorslede	0	0
	Bruges	22,2	11,7
	Camal	33,2	15,3
	Kallo	33,6	19,0
	Langemark	42,8	41,5
	Kaasbrik	21,6	43,5
	Langemark	38,3	35,4
	Argentan	18,8	23,0



Safety is part of ...

... operational excellence and is embedded in the day-to-day of all our decisions.

Stef Van Engeland

Lead Safety Coördinator





Since most of the current accidents occurring at Milcobel are behavior-related, we constantly focused on behavioral safety and awareness in 2023, i.e. the safety culture on the floor. We achieve this by introducing and following the 9 golden safety rules.

This includes a dynamic risk management approach, which means that everyone can identify, report and improve unsafe situations, in addition to the risk analyses that are done at each site. It is very important to work towards a culture where safety is carried throughout the organization, where safety, for example, is not just something done by the prevention advisor, but especially supported by the managers themselves. Personal protective equipment (PPE) is always provided by Milcobel free of charge. Medical supervision is also organized by the company physician based on risk assessments.

Go for zero - In Moorslede, employees continue to break records

In 2023, the Moorslede site reached a record of staying accident-free for a full year. We like to highlight how the team achieved this. First, the leadership focused on visualizing and discussing safety. To this purpose, they work with the safety triangle. It is a simple way of visualizing incidents and risks and anticipating possible risks based on data and openly discussing on safety topics. What gets attention grows and therefore we encourage our employees as much as possible to report risky situations.

Fatal workplace accident

IM category A

0

Lost-time accident

IM category A/B

0

Accident without lost time

IM category C

5

First aid + Minor accidents

IM category D

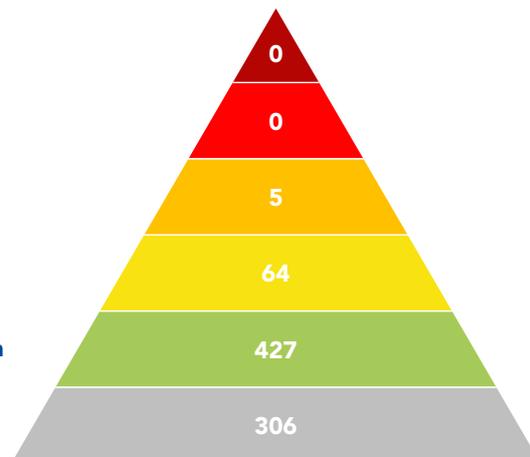
64

Near accident or dangerous situation

427

Security rounds

306



But reporting and measuring risks and incidents is obviously not sufficient. We also invariably link cause analysis and actions to every incident. Furthermore, we provide feedback to the employees. We also raise awareness and provide training, including through toolbox sessions. The latter are mandatory and are organized locally for each site. Finally, we obviously also celebrate our successes when we reach important milestones. For example, in 2023 we celebrated a record of one year without lost-time accidents with our employees with a croque monsieur action.

Growth and equal talent development of our employees

Career management, and continuous learning

Throughout an employee's career, the "employee journey" - from the hiring process to departure, we want to create every opportunity to realize an employee's potential to the fullest, and to provide them with maximum guidance and support.

Great importance is attached to training employees throughout their careers, including retraining for those who want to change career direction. We provide training on hard and soft skills, in classroom training or online via the Milcobel learning platform. We set the goal of having a formal conversation every year in addition to informal feedback on:

- Achieving the objectives
- Development needs
- Career aspirations
- Global functioning
- New objectives

This is how we arrive at a personal development and career plan for all employees. In the coming years, Milcobel wishes to focus more strongly on the talent of its employees. Our goal is to support employees in developing their skills, improving their performance, and building a successful career. Motivated employees are essential in a tight labor market. In 2023, 175 people voluntarily left the company and 334 employees were hired, including 38% women.

To smoothly roll out our talent policy, each site has a local training coordinator who looks after the hard skills of employees within production, maintenance, and the logistics department. The training courses on soft skills are organized centrally by Milcobel because L&D (Learning & Development) is also a culture carrier in our organization. We want all L&D interventions to contribute to the culture we envision for Milcobel so that we can continue to be successful. By driving this centrally, we can work on the strategic competencies we need.

Some of the initiatives we take:

- Through our two-year 'High Potential' program, we offer employees broad management training. In collaboration with the Vlerick Management School and with the cooperation of our EXCO members, a customized program is developed for 'high potentials' in the organization who can evolve into our senior leadership team.
- We also provide a customized program for our 'Young Potentials'. Through continuous learning, anytime, anywhere.
- To strengthen our ambition, we also see great potential in making a wide range of training available to everyone. Milcobel uses the Milcobel Learning Platform which allows our employees to follow training(s) in a simple, contemporary way. Training can be both e-learning and physical training.



- Milcobel Academy: From our cooperative story, cooperation is in our DNA. We want to capitalize on the knowledge that is present internally in the organization and spread it. In our Academy, we invite several inspiring leaders from our own organization with knowledge that can be enriching for others. Anyone can sign up to attend these sessions. By falling back on our own knowledge, we learn, we better understand each other, and we connect and network with each other. Also, in terms of communication, continuous improvement and talent, there are 'tribes' in which we bring people together centrally to inspire each other and keep a topic high on the agenda.
- The 'HR power hour': Every six weeks, we inform and train about 100 executives for an hour on several HR topics. During each session, we give them the opportunity to interact with each other twice to discuss a question we present them. This allows them to mutually discuss a topic. It's a smooth, fast, contemporary way to broach topics and connect.



Leadership & Development is a culture carrier in the organization for us. All L&D interventions must contribute to the culture we envision in order for us to remain successful.

Elien Martens - Talent manager



Equal treatment for all

At Milcobel, we are also committed to equality and equal opportunity. With more than 32% women across the organization, it is important that we are mindful of unconscious "gender-bias" practices and vigilant that we have policies that encourage equal opportunity.

The diversity of our workforce is also reflected in the approximately 40 nationalities of our employees and different ages and seniority levels. This diversity also brings challenges, and language and communication play an important role here. From our drive to be inclusive, we provide, among other things, Dutch classes for non-native speakers, but we also focus on accessible digital tools such as digital screens in the production areas. We encourage our production managers to work with pictograms and apply a code of conduct that summarizes our expectations regarding a wide range of agreements.

In this way, we have a general framework to which we can refer in case of problems and we clarify the processes we follow in case of breaches. Specific measures are also taken at each site to set up 'warm' initiatives tailored to the needs of our teams. In 2023, Ysco opened new and highly practical social spaces in Langemark. This also included a quiet room, accessible to everyone. The concept of quiet rooms is now also being looked at and provided at the other company locations. We are doing this in consultation with the unions, which themselves have diverse representation.

Characteristics of our employees: gender and contract type

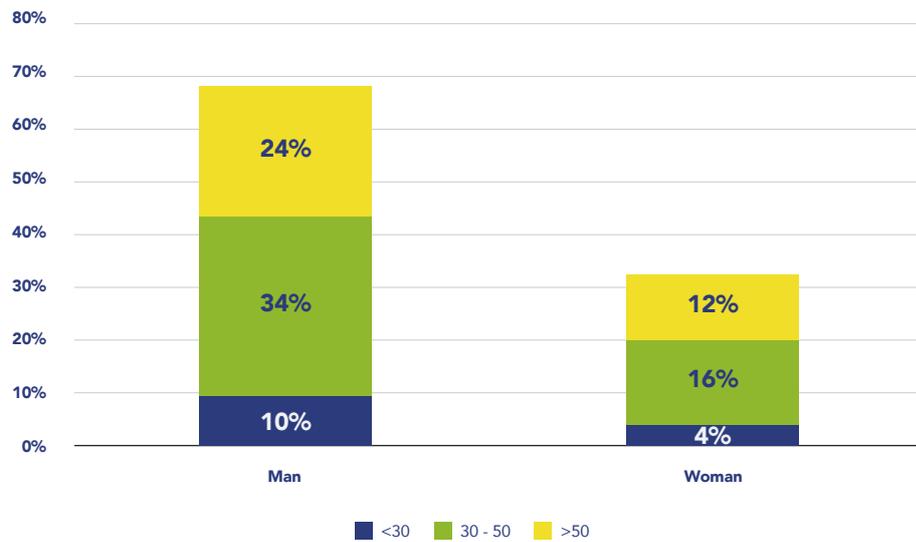
	Info		2023
	Number of employees		M
		W	531
		Total	1643
Number of employees by contract type	Permanent	M	1071
		W	506
	Temporary	M	41
		W	25
Number of employees by contract type	Voltijds	M	1092
		W	427
	Temporary	M	20
		W	104

2023 data on headcount: Cheeseline, Kaasimport Jan Dupont, Milcobel, Milcobel Dairy, Ysco Langemark. Excluding Ysco Argentan, Kaasbrik and Camal

Characteristics of our employees: gender and age (HC)

	2023	
	M	W
<30	10 %	4 %
30-50	34 %	16 %
>50	24 %	12 %





Number of sites with a works council	5 of 7 = 71% (96% of employees)
Number of sites with a Committee for Prevention and Protection at Work	5 of 7 = 71% (96% of employees)
Cooperation with employee representation	96%
Employees with coverage of collective bargaining agreements	100%
Number of sites with a dynamic risk management system (risk analysis, accident investigation, annual action plan...)	100%





Workers in the value chain

Respect for labor and human rights and human dignity throughout our entire value chain is a priority. As a cooperative, our supply chain is twofold. We have a direct relationship with our cooperative dairy farmers who supply the milk, but we also work with a large group of local and international suppliers. These suppliers provide the many raw and other materials, and ingredients we use to make our products. Here too, we are committed to long-term relationships with our suppliers.

Dairy farmers, members of our cooperative who help build the future in the long term

A cooperative is a special form of enterprise. In the cooperative, the dairy farmer is co-owner of the company that valorizes milk and thus creates a market-based milk price. Each member has the opportunity to have a say and participate in policy. The profits made by the company flow back to the member-suppliers in the form of the milk price, cooperative refund (post-payment) and dividends. In addition, the cooperative also creates added value by sharing knowledge and information. This makes every member stronger.

In our cooperative, we strive to be able to pay a fair milk price to our members. Given the macroeconomic, geopolitical, and European context related to agricultural policy pose considerable challenges, and the costs of raw materials, services and personnel have risen sharply, this is no easy task. We are therefore committed to dialogue and interaction with our members, more than ever. We are also building the cooperative of tomorrow, in which sustainability has been an integral part of our cooperative policy for years, including through our sustainability premium. We are therefore proud of the steps we have taken in this area through dialogue, with the future of our dairy farmers in mind.



Milcobel is, ...

... first and foremost, the passion and craftsmanship of our dairy farmers who join forces in a dairy cooperative with a rich tradition and an eye on the future

Tom Schiettecat

Director Milk & Farms



A market-based milk price committed to quality and sustainability

Milcobel's board and management are committed to a correct standard milk price for dairy farmers, supplemented by various premiums for quality, sustainability, pasture milk and milk volume. 2023 was marked by major challenges for the dairy sector and the entire agricultural sector. The European milk supply is under pressure, and an increasing number of Dutch dairy processors are coming to Belgium looking for milk. As a result, Milcobel must reckon with declining milk supplies in the future. Reduced international dairy quotations, price pressure on the part of customers versus sharply increased costs, also put pressure on the milk price in 2023. Milcobel was also subject to the effects of these trends and in May 2024 announced its intention to reorganize to make the company more efficient, agile, and profitable for the future.

Sustainability Premium

Milcobel sees the role of dairy farmers as part of the solution in the climate debate. With regards to the dairy farmers, we prepared adjustments to the sustainability monitor with our member dairy farmers within the cooperative structures (including the cooperative sustainability working group, cooperative council, member circles and youth circle). In 2024, minor changes will be made to the distribution of points in the sustainability premium calculation, by allocating more points to 3 main themes: the reduction of CO₂e emissions, energy consumption and sustainable water use. In addition, 10% of the premium will be allocated immediately when a CO₂-footprint calculation is performed in 2024. This way, we can obtain more primary emission data, and member dairy farmers themselves will also be given more tools and knowledge to set up their farms in a future-oriented way. This can lead to impactful improvements on the dairy farm.

Dialogue and communication

In recent years, Milcobel worked hard to improve dialogue and communication within the cooperative structures, bearing significant fruit in 2023. As a result, preparations were made for an amendment to the cooperative statutes. We also look back on many additional meeting moments outside of the structured cooperative operations. For example, it is always a pleasure to meet our member dairy farmers at the agricultural fairs.

Finally, we also want to draw more attention to innovative solutions from our member dairy farmers. They are good examples that can inspire and motivate other member dairy farmers to build their business of the future step by step in today's sometimes uncertain context.



Agriflanders 2023 at Flanders Expo

In conversation with Pieter Obin, farmer at heart

Amid vast green fields in Oudekapelle, Pieter Obin and Cindy Rommelaere, parents of three young children, operate their mixed farm with pigs and dairy cattle.

Pieter and his wife gradually took over his parents' farm from 2010 onwards. In 2019, this led to an investment in a new dairy barn with 2 milking robots. Today the dairy herd consists of 145 cows with accompanying young stock. Pieter's family's farm was started after WWI. Agriculture is therefore in the DNA of this couple. As entrepreneurs, Pieter and Cindy love entrepreneurship but, according to them, politicians are serving up a hot soup today that they hope will become manageable for all farmers. They fear that this could leave a very sour aftertaste for the farmers, for all involved and ultimately the consumer.

Pieter has been a member of the Cooperative Council since 2022 based on the idea that you only really get to know the ins and outs of a cooperative when you engage in it yourself. Through this engagement in the Cooperative Council, the dairy farmer has a direct link with the Milcobel board of directors and managers where you can ask questions directly and air your opinion.

Pieter: "In 2021, I became a board member in Member Circle Westhoek and in 2022, I joined the Cooperative Council. I thought: I want to know how things work! You only know when you get involved. In the member circle board you get up-to-date information, and the cooperative council is even more interesting. There you have a direct link to the Milcobel board of directors and managers. You can also ask questions directly and air your opinion."

"Milcobel is more than just a milk buyer. That cooperative spirit is still too little known to young dairy farmers. Milcobel originated from dairy farmers who wanted to process their milk together. Today, we are still a group of farmers who want to process their milk as well as possible into products that yield good returns. That is and remains Milcobel's goal."





Suppliers in the value chain

In the context of our global and often complex supply chains, we are also committed to protecting universal human rights wherever we can. Because what we stand for internally, we must also promote externally.

About 80 percent of our purchasing budget goes to local suppliers (not including dairy farmers) in Benelux, the Netherlands, Luxembourg, and France.

Our main purchasing categories - besides of course our basic raw material milk - are transportation, packaging, and raw materials such as vegetable fats, sugar, cocoa, nuts, and fruit.

Our suppliers are important partners with whom we promote and monitor social and environmental impact in the chain. In 2022, we established a supplier Code of Conduct that all suppliers systematically receive with the request to subscribe to it. This Code of Conduct describes the expectations our suppliers must meet with respect to:

- integrity and business operations
- ethical behavior
- respecting laws and regulations
- respect for human rights
- managing environmental impact
- health and safety
- quality and corporate governance

Our goal is to have 80 percent of our suppliers sign the Code of Conduct by the end of 2024, and we aim for 100 percent by the end of 2025.

But an impactful chain care policy goes beyond signing a code of conduct. In 2023, we developed a more thorough chain care or "due diligence" policy at group level. In it, we determined that we want to integrate chain care systematically, continuously, and pragmatically into our procurement policy, and do so through:

- **the identification and evaluation of sustainability risks** throughout our supply chains: where YSCO has been doing this for years, we now also draw up a chain risk analysis for purchases at Milcobel group level and for Milk & Farms, which we will also re-evaluate annually. We draw up the risk analysis using an assessment based on four criteria: how significant is the business relationship with a supplier, how high are the risks linked to the type of product, how high are the risks linked to the production location and what sustainability efforts does a supplier make.
- Measures to **prevent, mitigate, monitor, and remediate** social and environmental risks. We established a procedure for new suppliers, resolutely draw the card of long-term partnerships with suppliers, also enter dialogue with them on sustainability topics. Suppliers with a high overall risk score are regularly visited, for high-risk product groups we almost always work with required sustainability labels and certificates (Fairtrade, RSPO, FSC...), we provide a complaints mechanism, etc.

2

ZERO HUNGER



12

RESPONSIBLE CONSUMPTION AND PRODUCTION



17

PARTNERSHIPS FOR THE GOALS



Quality and food safety are key

Milcobel looks back on a long tradition of dairy processing. On the global market, there are trends at play that also have an impact on us: how consumers view dairy and sustainable food; increased regulation around emissions; increased attention to animal welfare and water use.

In the sometimes uncertain economic and political circumstances, Milcobel can play an important role as a reliable partner acting on the basis of the cooperative idea. Within this field of tension, we see an enormous opportunity in our cooperation with our B2B customers and other stakeholders.

Consumers are thinking more than ever about what they eat and where it comes from. They also set clear expectations regarding the responsible choices we make as dairy producers. Quality and food safety are the top priority at Milcobel. High-quality end products, services and processes are built into our objectives and into our mentality.

And this starts with our most important raw material: Our Milk! How do we achieve this?

- **Total chain control:** At Milcobel, we strive for total chain control, 'from grass to finished product'. To collect the milk from all dairy farmers within the legal deadline and in an optimal way, we deploy 18 milk collection trucks daily. These trucks are equipped with a sampling device and a computerized data system for liters and supplier registration. This ensures complete traceability at all times. Our milk collectors have all undergone training under the authority of the FAVV (Federal Agency for the Safety of the Food Chain) and are licensed as milk collectors.
- **On the dairy farm:** Every milk delivery is subject to legal quality regulations. Official quality measurements are carried out by accredited laboratories and all dairy farmers associated with Milcobel are IKM-certified (Integral Quality Management Milk). This ensures that all milk is fresh and guaranteed free of any residues such as antibiotics and crop protection agent residues.
- **In milk processing and production:** We process milk in our own state-of-the-art factories. All Milcobel plants operated in 2023 according to the Milcobel QAS (quality assurance system) and the Milcobel ACS (auto-control system), validated by the FASFC (Federal Agency for the Safety of the Food Chain). Our sites have GFSI certification (IFS/ BRC), and our products meet the strictest standards. HACCP (Hazard Analysis and Critical Control Points) is a risk inventory for food and lies at the basis of this system. This is complemented by traceability of raw materials and finished products and taking the necessary measures to counteract risks of 'food fraud'.





The core lines of our food safety policy at Milcobel sites:

Our quality and food safety policy are based on 4 pillars:

- **Safety and food safety is always a priority:** We provide the necessary knowledge and training to our employees, we set up our sites so that access is managed correctly, and we monitor and measure our own organization to keep making improvements.
- **We are in line with regulations and go the extra mile:** The regulatory landscape in terms of the environment, quality and food safety is constantly changing. We keep our finger on the pulse and make sure we follow up and implement the necessary issues.
- **Connect to excel:** From our "tribes," our cross-site initiatives, we identify risks, formulate, and implement improvements, and share best practices and knowledge.
- **Continuous improvement together:** safety and quality are everyone's responsibility. We provide training and integrate the continuous improvement process at all sites and in all departments to keep taking improvement steps.

Managing quality and food safety internally is a priority but the ability for customers and consumers to report complaints or incidents is also essential. All our business units have accessible reporting systems to report complaints or questions. This can be done by phone, mail, etc. Behind this, strongly developed incident management processes are in place to guarantee a quick response, investigation, and follow-up. Our employees are trained in these procedures and the procedures are tested externally every year to keep learning and improving our own operation. There were no recalls of Milcobel products in 2023.

Ysco renews social spaces

Ysco built a new social space in 2023. This did not merely involve new clothes lockers, benches and showers. The design was based on maximum ease of use for the employees. For example, everyone will have several lockers so that both work clothes and personal clothing can be stored separately. Wet work clothes from cleaning operations can be dried in special drying lockers and boots are also blown completely dry with low-pressure compressed air. Separate lockers with loading facilities are provided for cell phones. Quiet rooms are also provided for rest and contemplation.

New personal protective equipment can now also be collected from a dispenser using one's personal badge. This is flexible for the employee and makes dispensing more efficient.



At Ysco, collaboration between the commercial team and internal experts creates healthier ice creams

Ysco distributes up to 90,000 tons of ice cream under private label across the mainly European market. This business unit has seen two major growing trends in recent years: the demand for healthier products and the demand for innovation in packaging. These trends are driven by changing consumer behavior and new regulations. At the same time, customers and end consumers expect the tastiest ice creams at the highest quality standard, despite supply chain challenges and fluctuating raw material prices. This demands flexibility, expertise, and customer focus from our team.

Ysco is at the forefront of responding to these trends thanks to the collaboration between our account managers, internal services, and the R&D department. We invest in research and development to make perfect products that meet customer demand and can rely on the expertise of our packaging and ingredients specialists. Our service and strong internal organization allow us to advise our customers and ensure smooth product development and delivery. As a result, in recent years we have made great strides in making packaging more sustainable and developing ice creams with fewer sugars and fats.

In addition, we work hard on customer relations. We not only support product development, but also delivery and solving any questions or problems. We serve our largest markets in Europe directly in Dutch, French, German and English, and our team is regularly praised for their speed and correctness.



We work in an industry ...

... that is constantly changing. Customers and end consumers demand healthier products in packaging with less environmental impact. Our team always succeeds in guiding the customer in this to bring delicious quality ice cream to the end customer time and time again.

Gerdy Boeraeve

Commercial Director YSCO





Good governance

Milcobel strives to conduct its activities in accordance with all applicable laws, rules and regulations and applies the highest ethical standards for this purpose. This commitment and the expectations associated with it apply both internally, with respect to employees and member dairy farmers, and externally, in cooperation with customers, suppliers and other third parties.

Our golden rules of good governance and business conduct

As a major player in the dairy industry, we are aware of the complex processes and associated risks in terms of good governance and business conduct. Many decisions are made every day, and it is our responsibility to ensure that these decisions are made with integrity and according to our internal rules.

We set up our processes to comply with regulations and operate in line with international standards of good governance and business conduct. In this context, we also joined the United Nations Global Compact.

All our employees are also expected to always act in good faith and within our values. These policies are outlined in several of our policy documents, and our employees are trained on them as well. For example, many matters are included in our labor regulations, but we also have a code of conduct and a comprehensive competition manual, a practical guide for our employees to explain the do's and don'ts of business behavior and to obtain respect for these principles.

Our good corporate governance policy statements

Milcobel Code of Business Conduct



Milcobel Code of Conduct for Suppliers



Milcobel whistleblower policy



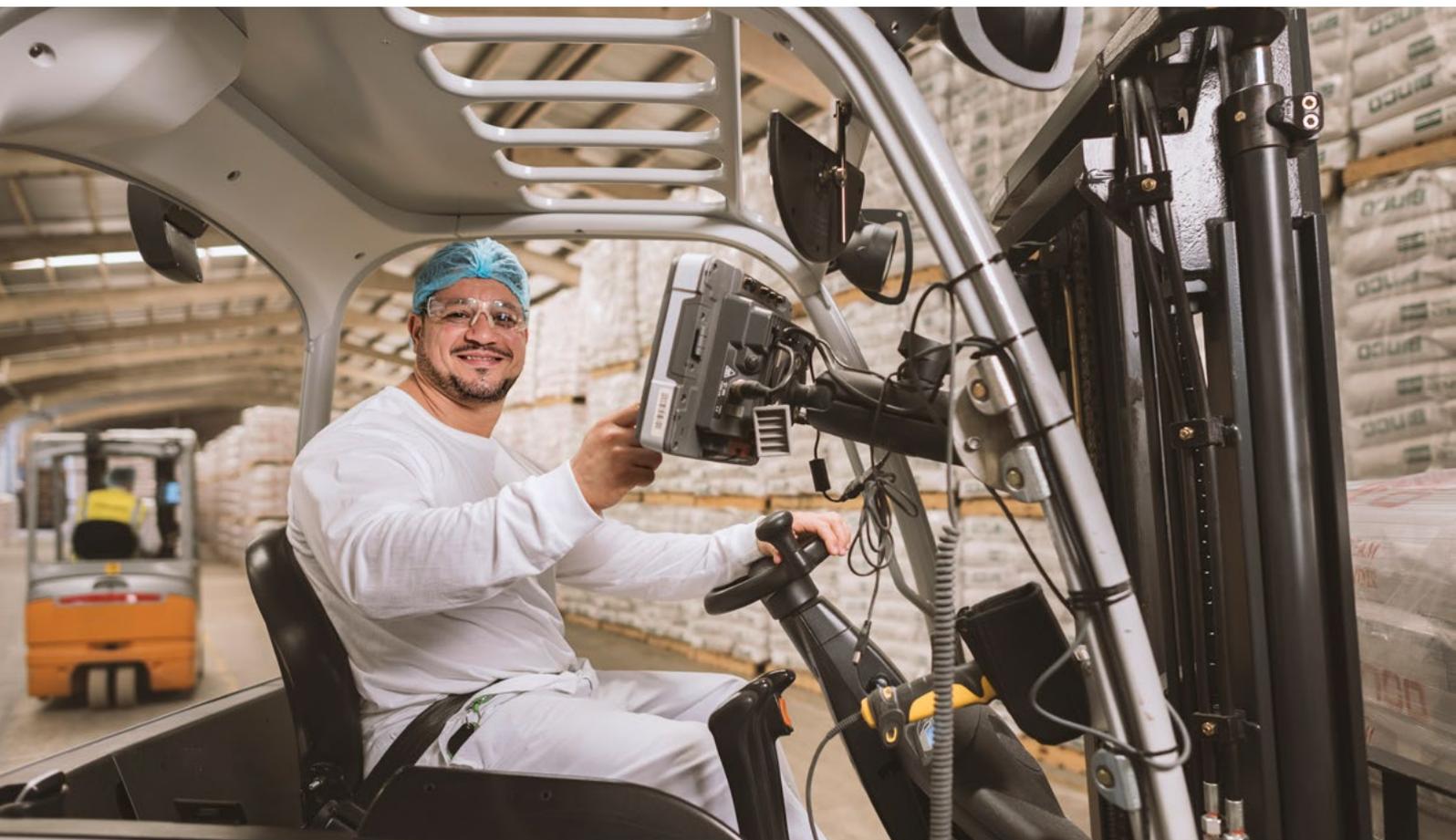
Milcobel privacy policy



Privacy statement for business partners



Within Milcobel, we apply a broad set of "Golden Rules" that set out the lines for good governance. These rules support the policy that we outline in terms of good governance. They range from approval principles for invoices according to the "Delegation of Authority" and the "4 eyes" principle, agreements for spending decisions, control of system access, payment agreements to follow-up with suppliers and customers, etc. A total of 20 golden rules have been defined today. In 2023 we introduced 5 new rules. Milcobel's internal audit team monitors the organization's results on these golden rules and reports on them quarterly within the management and audit committee. Our internal audit ensures that abuse, fraud, and other abuses of business conduct cannot occur and ensures that company policy is followed. They also ensure fair reporting of the financial figures.





Our Code of Conduct as an accelerator for good business practices

In 2023, Milcobel updated and expanded its code of business conduct. This new update containing 12 principles was signed by all senior managers. Training via e-learning modules will be provided to equalize knowledge in this respect. In this policy, we also indicate how both internal and external people can report concerns regarding possible violations of this confidential code.

It is essential for Milcobel that our Senior Management respects these rules. After all, there are many external contact moments in relation to suppliers, member dairy farmers, customers, and other stakeholders where we must always ensure correct and equal treatment. These guidelines help our employees to act in a correct manner.

 <p>1. Legislation and compliance</p>	 <p>7. Environment and climate</p>
 <p>2. Safety and quality</p>	 <p>8. Governments and international organizations</p>
 <p>3. Fair and ethical relationships</p>	 <p>9. Corruption and fraud</p>
 <p>4. Governance and accounting</p>	 <p>10. Conflicts of interest</p>
 <p>5. Fair competition</p>	 <p>11. Confidentiality and data protection</p>
 <p>6. Relationship with the community</p>	 <p>12. Money laundering</p>

Note: There were no reports, determinations, nor convictions of violations of principles within the scope of the whistleblower policy in 2023. Reports come in through an external party which, completely independently, discreetly receives the reports and further handles them if necessary.

We subscribe to the 10 principles of the United Nations Global Compact

Milcobel has been an active subscriber to the United Nations Global Compact since 2008 and subscribes to the Ten Principles of the Global Compact in the areas of human rights, labor, environment and anti-corruption, as well as the ETI Base Code, thus demonstrating its commitment to applying the principles and further integrating them throughout the value chain.

These principles of the United Nations Global Compact are derived from the Universal Declaration of Human Rights, the International Labor Organization's Declaration on Fundamental Principles and Rights at Work, the Rio Declaration on Environment and Development and the United Nations Convention against Corruption. In the overview below, we indicate where our achievements can be found in this report.

Human Rights	In this report
Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and	Social
Principle 2: Ensure that they are not complicit in human rights violations.	Social
Labor	
Principle 3: Businesses must maintain freedom of association and effective recognition of the right to collective bargaining;	Social
Principle 4: The elimination of all forms of forced and compulsory labor;	Social
Principle 5: The effective abolition of child labor; and	Social
Principle 6: Elimination of discrimination in employment and occupation.	Social
Environment	
Principle 7: Companies should support a precautionary approach to environmental challenges;	Environment
Principle 8: Take initiatives to promote greater environmental responsibility; and	Environment
Principle 9: Encourage the development and diffusion of environmentally friendly technologies.	Environment
Anti-corruption	
Principle 10: Companies should work against corruption in all its forms, including extortion and bribery.	Governance



Whistleblower Protection

Milcobel wishes to maintain and promote a corporate culture characterized by values and principles, including honesty and transparency. It is our collective responsibility to report facts that could harm Milcobel.

We wish to organize this in a way that assures each person that these reports can be made without risk of retaliation and with the guarantee of a fair and confidential investigation. To fully facilitate this, a whistleblower channel was created, complementing existing internal reporting structures or the specific structures regulated by law, to detect and limit violations falling under the specific scope of the Whistleblower Act. Our employees were informed of the introduction of this policy via email and our internal information system. No reports were recorded in 2023.

Good business practices

In addition to integrating environmental and social principles into our purchasing policy, we also attach importance to monitoring good business practices towards our suppliers. This means that we pay close attention to strong contract and supplier management.

We ensure that we make good payment arrangements and stick to them with a view to preventing late payments. We also measure this. After all, good agreements allow us to build a strong relationship of trust with our supplier in a context of mutual respect. These principles are also contained in some of our Golden Rules of Good Business Practice.



We always make ...

... good agreements with our suppliers in advance regarding payment terms. Our ERP package helps ensure that outstanding invoices are paid at the right time.

Jonas Schelfhout

Group internal auditor



Animal health and welfare

Our dairy farmers attach great importance to the welfare and health of their cows and take numerous measures to this purpose. Animal care is prioritized and regulated. All our members must also obtain an IKM certificate (Integral Milk Quality Management) in which animal health and welfare are also assessed.

Dairy farmers' efforts are equally measured via the sustainability monitor, which in 2023 led to an average performance score of 70% for the animal health theme and 75% for the animal welfare theme. On both themes, Milcobel members score about 15% higher than the industry average.

In evaluating the animal health theme, our sustainability monitor questions our farmers on topics such as contracts with a regular veterinarian, responsible use of antibiotics, etc. For the evaluation of animal welfare, questions include whether cattle are given free-roaming stalls, facilities for coat care, longevity.

57% of our dairy farmer members supply pasture milk



Pasture milk remains important to the market. Consumers are environmentally conscious and very concerned about animal welfare. Milcobel gives dairy farmers a free choice to participate in this but is - with 57% of its members dairy farmers who achieve this quality mark - a forerunner. Meadow milk is a quality mark for milk from farms where the cows graze outdoors for at least 120 days a year, from spring to autumn, for at least six hours a day. The milk is collected and processed separately at Milcobel. To obtain the label, dairy farmers must meet strict conditions and are audited by an independent inspection body.

About this report

This report covers all activities of Milcobel cv for the entities Milcobel cv, Milcobel Dairy, Ysco, Kaasimport Jan Dupont, Cheeseline, Kaasbrik, Camal. These include a description of activities and results for the year 2023. Milcobel takes into account the risks, impacts and opportunities occurring along the entire Milcobel value chain. Where possible, data are already linked to this.

This report also serves as a progress report on the implementation of the ten principles of the United Nations Global Compact. Explanation of these principles and reference to the relevant progress report can be found in the Good Governance section. In this report we also indicate how we contribute to the UN Sustainable Development Goals. These are indicated by the relevant icon in the relevant report sections.

For the calculation of the carbon footprint scope 3, Milcobel drew up a plan of action in which the calculation of materials and raw materials were determined as accurately as possible. An action plan is being drawn up to calculate even more thorough calculations for flag and non-flag items in the future.

This is the third sustainability report of Milcobel cv. It includes an overview of our sustainability policy and some of our achievements for fiscal year 2023. In the future, this report will be further elaborated and supplemented with more data on ambitions, concrete KPIs and achieved objectives. We are doing this in preparation for the reporting obligation that the CSRD entails for Milcobel. Milcobel developed a step-by-step plan to gradually work towards complete reporting.

For **questions about this report**, please contact

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