

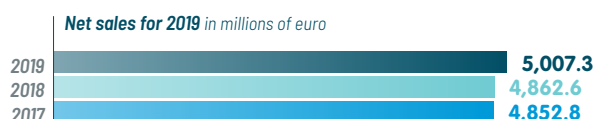
Results and Non- Financial Performance

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Key figures for 2019

NET SALES FOR 2019

Net sales increased by 3% over the previous year. Favorable organic growth of 2.8% was mainly attributable to sustained volume growth for our major brands, to pricing reflecting the more favorable trend in world prices for powdered milk and to the pursuit of our international development. The change in scope of consolidation was also positive (+0.4%) with the integration of Bake Plus and Rogue Creamery, acquired in 2018, and of Fromageries Papillon, acquired in the second half of 2019. The -0.3% impact of foreign exchange mainly reflected the loss in value of the Argentinian peso only partially offset by the gain in other currencies commencing with the US dollar. Net sales achieved outside France amounted to 71% of the total compared with 70% in 2018.



NET SALES FOR 2019 AND 2019-2018 CHANGE

By operating segment

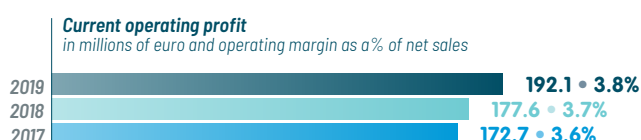
Cheese Products represented 58.1% of consolidated net sales, with organic growth of 3.2%. There was a positive foreign exchange impact of +0.5%, reflecting the rise in value of the US dollar, and a +0.4% positive impact from scope of consolidation.

Other Dairy Products represented 44.8% of consolidated net sales with organic growth of +3.5%, a negative foreign exchange impact of -1.4% and a +0.3% positive impact from scope of consolidation.



CURRENT OPERATING PROFIT

Current operating profit rose by +8.2% with positive scope of consolidation of +0.4% and a negative foreign exchange impact of -3.8%.



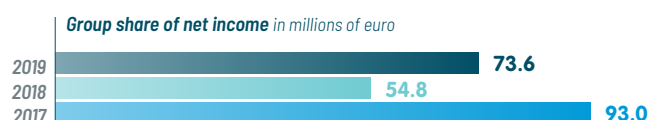
CURRENT OPERATING PROFIT FOR 2019 AND 2019-2018 CHANGE

Current operating profit for Cheese Products fell by -12.4% and current operating margin fell from 5.7% to 4.8%. In particular, Central and Eastern Europe were faced with significant increases in raw material and labor costs stemming from the full employment in the zone. Current operating income for Other Dairy Products rose by +85.4% reflecting higher prices for butter and cream in 2019. The increased world prices for milk powder were also of benefit to our Ingredients business. Current operating margin rose from 1.9% in 2018 to 3.4% in 2019.



GROUPE SHARE OF NET INCOME

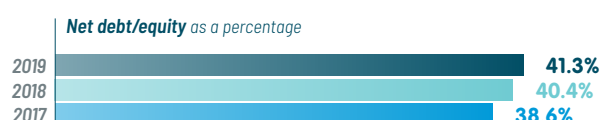
The Group's share of net income rose by +34.3%. Non-recurring costs fell by €7.1 million essentially reflecting the performance improvement plans mainly undertaken in France. Financial expenses rose by €2.9 million including an extra €-3.1 million of interest resulting from the first-time application of IFRS 16, "Leases". The result on net monetary position (by application of IAS 29 on hyperinflationary economies) improved by +€17.1 million. The contribution of associates fell by €0.9 million and taxes on income rose by +€17.2 million.



NET DEBT AND EQUITY

Investment in intangible assets and property, plant and equipment rose by +11.7% to €218.9 million. Acquisitions of companies and additional interests amounted to €34.1 million in 2019 compared with €34.8 million in 2018.

Net borrowings rose by +€41.3 million to €604.9 million, mainly reflecting acquisitions. Consolidated equity increased by +€68 million over 2018.



Trends & vision

Food transition is a major social issue. With “consum’actors” in the quest of Better Food and trust, food is evolving towards a new model that is more responsible and more respectful of local cultures. Sustainable development and **the digital revolution are transforming the agrifood chain and food retailing**. SAVENCIA Fromage & Dairy has **the ambition of reinventing quality food** meeting consumers’

new expectations: natural, good, healthy, practical and sustainable. By reinforcing its competitiveness and innovation, and its CSR commitment towards its various stakeholders, the Group constantly adapts to changes in its markets worldwide and in its customers whether in retail or in B to B professionals.

Resources

Human resources

20,031 employees



...in 31 countries



60% of men
+40% of women



Subsidiaries in close touch
with their local environment



Environmental and societal resources

16,8 million m³ of water



2,055 GWh of energy



12,000 dairy farms
supplying 4.2 billion liters
of milk



Financial resources

The stability of a majority
family shareholding



Equity: €1,464 million

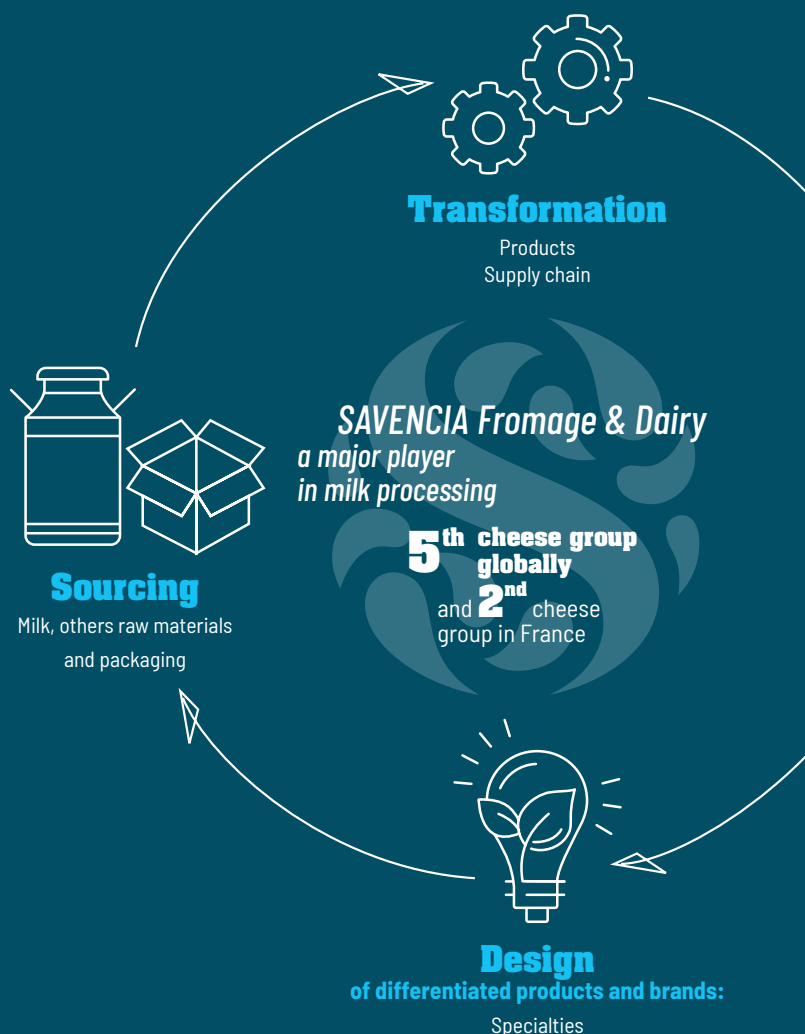


Capital expenditures:
€219 million



Value

An international, independent family food group with a long-term perspective.
With its strong values and its mission: **LEADING THE WAY TO BETTER FOOD**, the Group deploys a strategy of creating **innovative and high quality products and brands**.



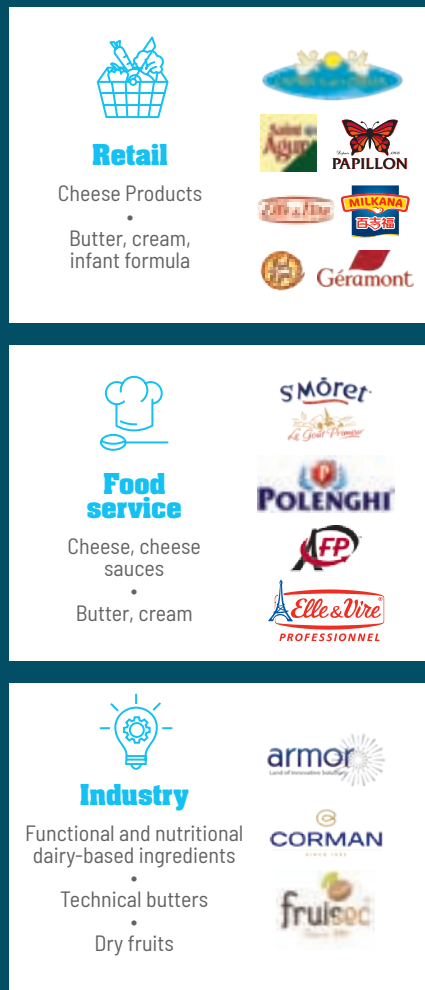
creation

SAVENCIA Fromage & Dairy manufactures and sells differentiated cheeses and other dairy products, under specialty brands, for retail and food service, as well as dairy-based ingredients for industry. The Group relies on subsidiaries in close contact with their local markets as well as by the pooling of global expertises.



Commercialization

Brands and solutions for our customers



Shared values

For people



Top Employer Europe 2019



Payroll costs:
€918 million



73.8% of employees received training in 2019



321 apprenticeship contracts in 2019

For the environment



Trend in greenhouse gas impact of milk collection:
-217,000 equivalent tons of CO₂ between 2010 and 2019



Energy consumption:
-5.9% per manufactured ton between 2015 and 2019

For society at large and local communities



A new formula for evolution of the price for milk jointly developed with the farming community



SAVENCIA has led retail revenue growth in France between 2016 and 2019
(source: distributor panel)



Solidarity initiatives:
65% of subsidiaries have made gifts of food



Purchases from suppliers and service-providers: **€3,638 million**



Dividends distributed in 2019: **€16 million**



Taxes: **€90 million**



Non-financial assessment: SAVENCIA Fromage & Dairy is included in the 2019 Gaia Index

Presentation of Key issues

The approach

The process of selection of Groupe SAVENCIA's key issues is unchanged from 2018 but has nevertheless been reviewed in 2019 to reflect:

Regulatory aspects:

- The topics presented in the European directive on the disclosure of non-financial and diversity information dated October 22, 2014, transposed into French law and modifying articles L225-102-1 and R225-104 to R225-105-2 of the French code of commercial law;
- French decree n°2017-1265 dated August 9, 2017: list of topics.

Additional elements such as:

- The Group's business model, business relationships and products;
- The materiality analysis performed by the work group on Corporate Social Responsibility (CSR):

A multidisciplinary group bringing together the Group's key business functions has been established, with support from an external consultant specializing in CSR.

Initial mapping and diagnosis were performed, and CSR issues have been listed.

– 185 stakeholders worldwide were consulted (employees, producers, customers, consumers, suppliers, executives, investors and members of society at large).

Materiality analysis was then performed with a view to selecting the issues identified as priorities both for the Group, and for all its stakeholders;

- Groupe SAVENCIA's approach to Corporate Social Responsibility (CSR):

Our OXYGEN plan, the name of Groupe SAVENCIA's approach to CSR, embodies the CSR ambition of combining meaning and performance, acting in conjunction with our partners and innovating for a sustainable world.

Four major focuses for progress have been identified for the period through 2025:

- The reflexions conducted within the Group's Oxygen Committee. Created in 2019 and led by the CSR Department, it brings together supporting expertise from the Group's Human Resources, Purchasing, Milk Procurement, Marketing, Nutrition, Quality and Industrial departments.

In 2019, the Committee identified a new issue translating into the Group's recent commitment to clarify its ambition with regard to packaging by developing eco-design. The objective is to approach 100% of recyclable or biodegradable packaging for our branded products by 2025.

Methodology

In 2019, the analysis just described sheds light on 16 issues for which the Group's regulatory compliance had been verified, ensuring coverage of the following points:

- The areas provided for by regulatory requirements: Social – Societal – Environment – Human Rights – Combating corruption and tax evasion;
- The other expected themes: Consequences for climate change – The circular economy and food waste – Precariousness – Healthy and sustainable diet – Animal wellbeing – Collective agreements and action in favor of diversity – Handicaps.

For each key focus identified, a commitment has been defined, and quantitative or qualitative objectives have been set.

To ensure the consistency of our overall CSR approach, the issues have been integrated within our four major focuses for progress, and performance indicators relevant to our operating segments have been defined for each of them.

SAVENCIA Fromage & Dairy makes voluntary publication of a Non-Financial Performance Statement in the framework of application of the European directive. Data in France's so-called "Grenelle II" format are available in a specific document which may be consulted on our savencia-fromagedairy.com website.



Our key issues:

ISSUES

Healthy and responsible pleasure

- Improve the nutritional quality and design of our products
- Promote responsible consumption

A sustainable agriculture

- Co-develop a more sustainable sourcing with our suppliers of agricultural raw materials
- Promote responsible purchasing

Environmental footprint

- Reduce our greenhouse gas emissions
- Control our water resources
- Optimize our waste management
- Develop eco-design of our packaging

Employee wellbeing

- Ensure our employees' safety
- Improve quality of life at work
- Develop competencies
- Commit to diversity and inclusion
- Encourage solidary commitment

Society at Large

- Respect for human rights
- Combating corruption
- Combating tax evasion

RISKS

- Quality and food safety risk
- Risk of damage to brand reputation

- Risks associated with suppliers
- Regulatory risk
- Climate risk

- Climate risk
- Environmental risk

- Risks associated with human safety and health
- Regulatory risk
- Risk of lack of competencies and attractiveness

- Regulatory risk
- Risk of damage to the Group's reputation
- Financial risks

Healthy and responsible pleasure

1 | IMPROVE THE NUTRITIONAL QUALITY AND DESIGN OF OUR PRODUCTS

Improve the nutritional quality of our products

Issues, risks and policy

SAVENCIA Fromage & Dairy manufactures natural products using carefully selected quality raw materials.

In harmony with its vocation of "Leading the way to better food", the Group is determined to contribute to public health objectives by offering sound and healthy food, with the conviction that it is food a key factor in people's health and wellbeing. To meet consumers' growing expectations of transparency, we provide clear information to guide their choices.

Our teams design and put together concrete and targeted plans for progress with the aim of continuously improving products' nutritional quality and design and promoting responsible consumption. With this purpose, our actions focus on two major drivers, namely product offering and consumer habits, in order to contribute positively to the evolution of dietary practices.

An effective source for the development of a balanced and diversified diet is the size of the portion consumed.

The official recommendations issued in many countries are based on the frequency of consumption and portion sizes for each food category. By adding nutritional per portion labeling for all its retail brands, the Group seeks to provide consumers with an improved understanding of the nutritional benefits of its products.

In the case of pre-portioned products such as cheese slices, or including a visual guide to portion size, the actual unit size is on the product label so that the consumer can identify the appropriate portion and adopt a reasoned and educated mode of consumption.

In the case of products that are not pre-portioned, the portion size approaches the recommended portion of 30 grams of cheese or the portion habitually consumed in the framework of a balanced diet.

The Group undertakes that by 2025, 100% of its branded retail products will include per-portion labeling, thereby going beyond the regulatory requirements of certain countries.

Actions implemented and results

- Caprice des Dieux is a brand committed to the concept of portion size. All packs already included per-portion labeling and in addition, the 150, 200 and 300 gram formats now all include visual portion markings on the bottom of each packet to encourage reasoned consumption of the product.

Key performance indicators

- In 2019, about 49% of our branded retail products include per-portion nutritional labeling.

Responsible design and redesign of our products

Issues, risks and policy

To ensure the sustainability of its activities and reputation, Groupe SAVENCIA must adapt to new habits of consumption and meet growing societal expectations for the sustainability of its products as well as public authorities' requirements.

SAVENCIA's Charter for Responsible Packaging Design has been prepared in 2019.

Its purpose is:

- To **provide** all its subsidiaries with guidelines and proactive orientations for more sustainable and responsible design and redesign of our products;
- To **establish** transversal goals;
- To **facilitate** the phase of diagnosis and structure proposals for product and packaging progress plans;
- To **share** methods and a common vocabulary throughout our teams.

The charter has three parts:

Responsible product design

Our commitment is to have implemented by 2025 a Clean Label approach for 100% of our new branded products, involving an a continuous improvement approach for our product formulation, based on recipe enhancement through the removal of certain additives and a list of ingredients reduced as much as possible.

With that objective, a stage-by-stage process has been defined at Group level, thereby enabling our brands to commit to an approach of progress and optimization of product formulation.

As to the nutritional quality of our products, we make use of both our product offering and consumption behavior to achieve positive improvement in consumption habits by relaying the official nutritional recommendations.

Our commitments are as follows:

- To **ensure** the best possible nutritional composition, in regard to each product's organoleptic quality and use, in order to achieve positive improvement in the nutritional profile of our product portfolio;
- To **align**, as much as possible, the nutritional composition of our products targeting children, on the thresholds provided by the WHO's marketing guide for products destined for children (percentages of fat, salt and total and added sugar);
- To **limit** the number of stages in our processing in order to retain the natural nutritional properties of the raw materials used (e.g. milk proteins, calcium and vitamins).

Eco-design of packaging

Groupe SAVENCIA's ambition is to design packaging reconciling its indispensable functionalities (contain and conserve the product's qualities – protect the product from shocks, light and contaminants – store, regroup and transport the product), and to adapt to new consumption patterns, with minimum environmental impact.

Responsible communication and marketing

Responsible communication is based on a number of principles: transparency in responses provided to consumers, sincerity in commitments, encouragement to consume well and attentiveness to the societal and environmental impact of our communication. The approach applies to

all forms of our brand communication, whatever the targeted groups (customers, consumers, shoppers, users etc.) and whatever the media used (packaging, audio-visual media, printed materials, point-of-sale advertising etc.).

Actions implemented and results

- The **Charter for Responsible Design** has been shared with all our subsidiaries and has been presented to our various internal stakeholders (buyers, pack developers, CSR managers etc.). Our definitions of recyclability and biodegradability have been fine-tuned.

- An Oxygen Steering Committee, dedicated to packaging eco-design, has been set up to monitor achievement of the defined objective.

- Several of our brands have optimized their products' nutritional profile in 2019. For example:

- The salt content of Saint-Loup's new goat cheese log has been reduced by 14%;
- In Egypt, the Milkana range has seen a 20% reduction in salt content;
- A lactose-free cream has been launched by Elle & Vire.

Key performance indicators

- In 2019, approximately 64% of our new branded products have incorporated a Clean Label approach.

2 | PROMOTE RESPONSIBLE CONSUMPTION

Issues, risks and policy

Supporting consumers, and our employees, in adopting more reasoned habits of consumption is both a societal challenge and one of the Group's objectives.

The Group has been using the Nudge methodology since 2016. It uses behavioral economics to create the conditions that can encourage individuals, without coercion, to adopt behavior beneficial for themselves, for the community and/or for the planet.

To limit food waste, Groupe SAVENCIA deploys actions such as gifting to food banks or designing formats adapted to consumers' needs (portions, re-closable packs etc.).

Actions implemented and results

- Signature in June 2019 of a partnership with the European Food Banks Federation.

- Launch of a store promotion inciting increased consumption of vegetables via the grant of a reciprocal reduction coupon for the simultaneous purchase of cheese and a kilo of vegetables.

- In October 2019, for the World Food Day, the #PositiveFood hashtag was launched. It formalizes our commitment to a responsible diet mixing pleasure and health. #PositiveFood implies a diversified diet and balanced menus giving pride of place to products that are natural or processed as little as possible. It also implies a well-meaning yet committed approach to food transition via positive initiatives inciting consumers to adopt new habits. Flexitarian recipes, associating cheese with vegetables, are available on our [quiveutdufromage.com](https://www.quiveutdufromage.com) digital platform. The recipes achieve A or B Nutri-Score and contribute to balanced meals.

- An e-learning training module devoted to a healthy diet and nutrition was deployed in 2019. The 5-part learning program was developed by nutritionists and other specialists. Its purpose is to provide Group employees with the fundamental concepts of nutrition as well as prac-

tical advice in support of more healthy and responsible patterns of consumption.

- Since 2016, our St Môret brand has organized the collection, on French local markets, of unsold or damaged fresh produce for gifting to the *Fédération Française des Banques Alimentaires* (French food bank federation). In 2019, St Môret has directed 2 tons of fresh produce towards local food banks.

- In 2019, products made up 82.7% of the gifts made by our manufacturing sites.

Key performance indicators

The above mentioned training was shared with our subsidiaries at the end of 2019.

Over three months, 38% of the Group's employees connected to its *Learning@Savencia* digital platform have followed the Nutrition module in 2019.

A sustainable agriculture

1 | CO-DEVELOP MORE SUSTAINABLE SOURCING WITH OUR SUPPLIERS OF AGRICULTURAL RAW MATERIALS

Issues, risks and policy

SAVENCIA Fromage & Dairy has opted for co-development, with its suppliers of agricultural raw materials, of a more sustainable and value-creating sourcing, in order to ensure the sustainability of its operations, and meet the climatic and societal challenges of its ecosystem.

The Group focuses on strong and recognized brands, that require irreplaceable raw materials from its suppliers. It engages in long-term partnerships with its suppliers, with whom it strives to foster and maintain fair and balanced commercial relationships.

To meet our consumers' new societal expectations, our subsidiaries are keen to develop relationships of quality that are respectful of animal wellbeing and the environment, and bring more value to the work performed by our producers.

Our commitments focus on our main strategic raw material, milk, with:

- The extension of our Charter for Best Farming Practices to all our milk collection worldwide, by 2025;
- The deployment of our "Sustainable Milk Production" diagnosis to 50% of our milk producers by 2025; and
- The co-development of milk from herds benefiting from a GMO-free diet and sourced from Organic Farming.

Actions implemented and results

SAVENCIA Fromage & Dairy buys 4.2 billion liters of milk in 15 countries worldwide, from around 10,000 farms producing cow milk, ewe milk and goat milk.

In the framework of our Oxygen plan, our milk procurement functions have undertaken four commitments with regard to sustainable and responsible sourcing:

- Co-development of a more sustainable sourcing;
- Promotion of sourcing value enhancement;
- Development and progress, together with our stakeholders; and
- Reduction of the farms' environmental footprint.

Co-development of a more sustainable sourcing

Groupe SAVENCIA supports a policy of responsible milk purchasing. In France, 100% of our milk producers are members of a collective entity such as a Cooperative or an other form of producers' organization.

A transparent milk purchase price policy has been developed, in the wake of France's so-called EGAlim food economy law, using market indicators related to the product mix associated with SAVENCIA Fromage & Dairy's operations. Technical, financial and other supportive measures have also been implemented with the aim of facilitating the installation of young producers (about 160 each year).

In 2019, SAVENCIA Fromage & Dairy has contributed to the value provided enhancement of France's dairy industry, within the framework of the EGAlim law.

In terms of quality and production/farming conditions, compliance with our Charter for Best Farming Practices is contractually required of all our French farmers. This requirement will progressively be extended to all our milk collection worldwide.

In 2019, 80% of our worldwide milk volumes already complied with the charter.

To better meet our customers' questions on how our milk is produced, and as a means of progressing beyond the requirements of the Charter, the Group also offers producers its "Sustainable Milk Production" diagnosis incorporating 10 indicators.

The diagnosis helps assess the level of current practices in economic, social and environmental terms: farm profitability – sustainable management of water resources – carbon footprint – animal wellbeing – herd dietary self-sufficiency – biodiversity – soil fertility – producers' quality of life – outdoor access – herd health.

Animal wellbeing, for example, is backed up by the animal's five fundamental freedoms, namely: freedom from thirst or hunger, freedom from discomfort, freedom from pain, injury or illness, freedom to engage in behavior that is natural for the animal's species and not experience fear or distress.

By the end of 2019, 19% of our global milk volumes were sourced from farms having performed the "Sustainable Milk Production" diagnosis.

Promotion of value enhancing sourcing

To encourage the creation of value, 26% of our global milk volumes collected in 2019 were sourced from so-called "differentiated" segments:

- Goat milk and ewe milk farms;
- Organic farming;
- Herds benefiting from a GMO-free diet;
- Herds benefiting from Protected Designation of Origin.

Technical support from our Milk Collection Technicians, as well as financial measures, assist producers who so wish in converting their farms to these differentiated segments.

Development and progress together with our stakeholders

After completion of the "Sustainable Milk Production" diagnosis, farmers may select a focus for progress for which the Group can provide support with suitable training covering topics such as cows' health and nutrition, soil fertilization or protein autonomy. In 2019, more than 670 days of training were thus provided to our French milk suppliers.

SAVENCIA Fromage & Dairy has also committed to risk prevention. In France, since 2012, the Group has deployed, at all its dairy farms, a transport safety protocol designed to analyze the risks associated with the maneuvering of milk collection tankers. By improving traffic flows and access to milk tanks, an entirely safe milk collection is thus encouraged.

Our Milk Collection Technicians are in daily contact with producers to support them in changes to their practices. Numerous initiatives have been taken: meetings, working groups, a website dedicated to producers, a quarterly bulletin, videos, corporate support for events etc.

Key performance indicators

	2017	2018	2019	2025 Objective
Extend our Charter for Best Farming Practices worldwide (% milk volume collected)	75.2%	73.0%	80.0%	100.0%
Deploy our Sustainable Milk Production diagnosis (% milk volume collected*)	14.8%	16.4%	19.0%	50.0%

*The volume of milk collected subject to deployment of the diagnosis is estimated on the basis of the average volume of milk collected per farm for the applicable scope.

2 | PROMOTE RESPONSIBLE PURCHASING

Issues, risks and policy

France's so-called "Sapin II" law and legislation on the Duty of Vigilance have led the Group to reinforce its existing requirements, in order to ensure the compliance of its purchasing with the requirements for undeclared labor, transparency and the prevention of corruption and of any violation of human and environmental rights.

Groupe SAVENCIA thus engages in long-term partnerships with its main suppliers, with a focus on shared progress towards promoting responsible purchasing practices and meeting the various societal challenges.

The Group's suppliers are selected on criteria of quality, security, service, competitiveness and of their capacity to support the Group lastingly.

Since 2010, a "Charter for Sustainable and Solidary Purchasing" has been submitted for signature by the Group's main suppliers. The charter is consistent with the Group's Ethical Charter and with the charter for best purchasing practices prepared under the aegis of France's Ministry for the Economy, Finance, Industry, Competition and National Mediation and signed by the Group on January 10th, 2012. Since January 1st, 2018 the Charter for Sustainable and Solidary Purchasing, completed with the Group's recently published Charter for Combating Corruption and Influence Peddling, has been renamed the Charter for Responsible Purchasing.

The CSR risks associated with our suppliers are assessed, since 2010, within the framework of the EcoVadis evaluation process. The four areas of assessment are: the Environment – Employment – Ethics and Corruption – Supplier Relationship and Procurement.

The Group undertakes to develop responsible purchasing practices with all its suppliers, with the exception of suppliers of agricultural raw materials, via its Charter for Responsible Purchasing and the EcoVadis evaluations, and with successive waves of deployment subject to overall coverage monitoring.

Ultimately, 80% of the Group's external purchases will be covered (with the exception of agricultural raw materials) within established commercial relationships.

Actions implemented and results

In 2019, the Group's Purchasing Department undertook three EcoVadis evaluation campaigns, reflecting the preliminary EcoVadis risk-mapping focus, and with a global scope. Specific training in support of the evaluations was performed in China and in the USA.

A reminder as to our deployment goals and a general update are prepared and communicated twice-yearly to our Group Purchasers.

Key performance indicators

By December 31, 2019 our Charter for Responsible Purchasing had been signed by 403 suppliers representing 36% of the Group's expenditure* (outside of agricultural raw materials).

The EcoVadis assessment of CSR risks was performed for 498 suppliers and covered 39% of the Group's expenditure* (with the exception of agricultural raw materials).

The average score was 48.8/100 compared with an average of 42.4/100 for the EcoVadis Food & Beverage Panel.

* Excluding Brazil, China, Japan, India, Ukraine, Serbia, Rumania, Poland and Russia whose purchasing expenditure cannot yet be automatically consolidated.

Environmental footprint

1 | REDUCE OUR GREENHOUSE GAS EMISSIONS

Issues, risks and policy

Conscious of the global challenges posed by greenhouse gas emissions, and of the necessity of combating climate change and its consequences for society at large, the Group strives to reduce the environmental impact of its activities.

Its ongoing programs relate notably to energy, water, waste and emissions.

Internal Best Practice Guides complement the Group's programs by helping production sites optimize their processes and continuously improve their facilities. Successful experiences are shared and thereby extended as much as possible to all Group sites.

Environmental correspondents are responsible for coordination and for managing initiatives at the local level.

Groupe SAVENCIA has undertaken to reduce the environmental impact of its operations by means of a 25% reduction per ton of production, by 2025 (compared to 2015), of:

- Energy consumption;
- Greenhouse gas emissions from production and transport;
- Fuel consumption for supply chain activities;
- Water sourced from the natural environment;

As well as by increasing its use of renewable energies.

And achieving a reduction of 300,000 tons of CO₂ equivalent of the carbon footprint of its volume of milk collected, by 2025 (compared to 2010).

Actions implemented and results

Reduction of energy consumption

- At Group level, dedicated teams monitor and support our sites in accordance with the guiding policy defined by our Oxygen plan. "CSR – Energies and Materials" meetings are the opportunity to review the actions implemented and their results. "G'ENVI" meetings are also organized to enable our sites' environmental correspondents to exchange with external specialists.
- In 2019, the deployment of our Academy SAVENCIA training cursus was pursued.
- One of our French sites engaged in a major investment by replacing its old heavy oil boiler with a new gas boiler, thereby significantly improving the thermic yield of its facility.
- Numerous other initiatives in the area of energies were engaged at our sites with a view to reducing consumption: insulation of equipment and circuits, replacement of lighting by new LED systems, optimization of compressed air facilities etc.

Development of renewable energies

- In Spain, 100% of the electricity consumed by our five plants is of renewable origin.
- Wood boilers are in operation in France and in South America.

Reduction in greenhouse gas emissions for transport

To reduce the greenhouse gas emissions associated with our own fleet of trucks, several actions have been implemented:

- Eco-driving training continued in 2019 with help from the data collected via the trucks' onboard navigation systems;
- The deployment of LED lighting at sites reduced the related electricity consumption by 10%;
- The use of airlocks was tested at two loading bays with the aim of limiting the loss of energy to the outside environment and improving comfort during truck unloading;
- In France, our supply chain platform is committed to a voluntary approach to reducing the CO₂ emissions associated with its road transport activities and as such, subscribes to the industry charter named "CO₂, Carriers Commit". The platform, located near Honfleur, possesses France's High Environmental Quality (HQE) certification.

Results for the supply chain platform operated by Messageries Laitières

	2017	2018	2019
Average consumption of the company's owned fleet (l/100 km)	36.3	35.5	33.5
CO ₂ emissions of the company's owned fleet (tons of CO ₂ equivalent)	2,561	2,294	2,267

* The emission factor retained is based on combustion (cf. Ademe 2018).

- During the European Mobility Week, 28 subsidiaries and 6,500 employees took part in a mobility challenge, with the purpose of rethinking travel between home and work throughout the week. More than 100,000 km of individual car use were saved. One of our sites was rewarded for its results (more than 6,000 km of alternative forms of mobility) in the sustainable mobility challenge organized by Grand Poitiers and Ademe (a French environmental agency). Other initiatives have been implemented by certain subsidiaries, such as mobility credit, bicycle leasing by Corman in Belgium, or mobility challenges organized on a monthly basis.

Reduction in the carbon footprint associated with our milk collection

France accounts for 75% of our milk sourcing worldwide and all the milk we process in France is of French origin.

Our processing is performed locally: 97% of our milk is collected within a radius of 70 km of our cheese plants and 72% within a radius of 30 km.

Our milk tanker fleets are committed to the "CO₂, Carriers Commit" approach certified by Ademe and our drivers receive regular training in eco-driving.

Working towards the use of alternative forms of energy, trials were performed in 2019 using trucks powered with biogas.

The reduction of carbon footprint for French milk production is calculated on the basis of two factors:

- The "natural" decrease for French dairy farms as a whole;
- The additional decrease derived from action plans implemented in the framework of the Group's program for Sustainable and Responsible Milk Procurement.

In 2019, 217,000 of CO₂ equivalent were saved compared to 2010.

	2017	2018	2019	2025 Objective
Reduce the carbon footprint of our milk collection (volume of milk collected in France, in cumulative tons of CO ₂ equivalent, compared with 2010)	- 164,000	- 191,000	- 217,000	- 300,000

Key performance indicators

% of change compared to 2015

	2016	2017	2018	2019	2025 Objective
Reduction of energy consumption (GWh/ton produced)	-1.1%	-3.1%	-4.4%	-5.9%	-25%
Reduction of scope 1 & 2* greenhouse gas emissions (tons of CO ₂ equivalent/ton produced)	1.8%	-0.6%	-1.2%	-4.7%	-25%

(The greenhouse gas emission indicator has been recalculated since 2015 to reflect steam-related emissions at one of our sites).

Source for the emission factors: Ademe 2018 and Ecoinvent.

*Direct (scope 1) emissions include the emissions associated with the combustion of fossil fuels, those from processes not using energy (due to the treatment of wastewater) and those resulting from leakage of refrigerating fluids.

*Indirect (scope 2) emissions include those associated with the production of electricity, steam, heat or cold purchased and consumed by sites, as well as losses in transit.

In the framework of our approach and for the purpose of fine-tuning the Group's environmental footprint, a calculation of scope 3 emissions is under review.

2 | CONTROL OUR WATER RESOURCES

Issues, risks and policy

Demographic growth and excessive use of water contribute to the increasing hydric stress experienced worldwide. In that context, and in order to contribute positively to the preservation of ever scarcer water resources, the Group implements responsible practices designed to minimize its own impact.

Water plays an important role in our processes, notably to ensure a high level of hygiene and safety for our products in particular by means of cleaning routines. It may also serve as a technical adjunct during manufacturing by serving as a heating or cooling medium. Water is also an input to our fire prevention and firefighting equipment.

Faced with climate change, certain situations of hydric stress are expected to become more acute, in certain countries in particular. Great attention is paid to such phenomena, in order to identify and prevent risks and reinforce, if necessary, the means available to limit so far as possible drawing water from the natural environment.

The goal is to reduce drawing water from the natural environment, per ton of production, by 25% by 2025 (in comparison with 2015).

Actions implemented and results

• In Argentina, a major site has succeeded in reducing its use of water drawn from the natural environment by more than 20%, thanks to the implementation of numerous initiatives including: the installation of meters, employee awareness-raising, water recovery and recycling and the optimization of ultra-filtration and clean-in-place equipment.

• In 2019, the Group engaged in major renovation projects for its purifying stations in order to improve the quality of effluents or prepare for increased levels of production. In France, two new stations are currently under construction.

• France was particularly concerned in 2019 with episodes of drought and hydric stress in certain regions; levels of attention were reinforced, notably via monthly monitoring of levels of alert nationwide, followed by appropriate measures at the sites concerned.

• Personnel training and awareness-raising programs were also implemented with a view to deploying or reinforcing best practices for the use of water. Water pistols are often introduced to limit water consumption during manual cleaning.

• The water contained in milk or whey may be recovered by means of evaporation or inverse osmosis, then treated and used for external cleaning as a means of reducing the consumption of fresh water.

Key performance indicators

% of change compared with 2015

	2016	2017	2018	2019	2025 Objective
Reduction of water consumption (in m ³ /ton produced)	0,2%	1,4%	2,8%	0,8%	-25%

(The indicator has been recalculated since 2015 to take into account cooling water for one of our sites).

Despite the reduction measures implemented at our sites, our overall water consumption still tends to increase given the reinforcement of hygiene and food safety procedures at our industrial sites and the development of new product ranges using differentiated milks, thus requiring more frequent washing.

3 | OPTIMIZE OUR WASTE MANAGEMENT

Issues, risks and policy

Processing generates waste inherent to manufacturing and packing, mainly in the form of non-hazardous industrial waste, most of which, such as cardboard, paper, glass, steel or aluminum, are treated by recovery/recycling organizations. Presence of hazardous industrial waste is infrequent. It is mostly waste oils and electrical and electronic waste generated by maintenance operations, which are sorted for recycling by specialist contractors.

To combat waste of natural resources and reduce the costs of waste treatment, the Group's policy is to reinforce the sorting and recovery of industrial waste, by contributing to circular solutions.

Actions implemented and results

• Implementation by one of our French subsidiaries of a recovery process for the containers used to store liquids or powders. After use, the containers are collected and recycled by a contractor to produce new containers, facilitating the circular economy.

- Optimization of onsite sorting and storage, in collaboration with national operators, in order to identify the best outlets for recovery and recycling.
- Reduction, at the source, of package weight, and use of more readily recyclable materials.

Key performance indicators

In 2019, 68% of our non-hazardous waste was collected for recycling, which may take several forms: materials reuse, biological recycling or recycling into energy.

4 | DEVELOP ECO-DESIGN FOR OUR PACKAGING

Issues, risks and policy

In order to reduce environmental pollution and help the transition towards a circular packaging economy, in particular for plastic packaging, the Group, as an addition to the Oxygen objectives published in 2018, has sought in 2019 to clarify its ambition for packaging and to commit to the development of eco-design.

The Charter for Responsible Design prepared in 2019 thus provides guidelines and focuses for the eco-design of packaging.

The Group's objective is to aim for 100% of recyclable or biodegradable packaging for its branded products, by 2025.

Actions implemented and results

- Initiatives for the eco-design of packaging, involving in particular the use of recyclable materials and reduction of the package weight, have been engaged by several subsidiaries:
 - Tartare and Bresso portions: change in the plastic used, with the adoption of PET incorporating 50% of recycled material. With these recyclable packs, which contribute to a more circular economy, 62 tons of "virgin" plastic have been saved;
 - Elvir: finalization in 2019 of deployment of the solution of assembling cream cartons into packs using an adhesive band in place of the previous shrink film. 100% of the company's references have adopted this solution, which has generated 42.5 tons of plastic savings in 2019;
 - Corman: for private label butters, a new injection mold incorporating technical improvements has led to a 15%, or 70 tons a year, saving in the use of plastic.
- An indicator for the proportion of recyclable packaging is in the process of development.

Employee wellbeing

1 | ENSURE OUR EMPLOYEES' SAFETY

Issues, risks and policy



Groupe SAVENCIA brings together entities of human scale united by a strong business culture which guides its behavior and action. The wellbeing and the preservation of the physical integrity and health of the men and women working in and for the Group are the concern of all, and at every level of the organization.

A range of actions are implemented by SAVENCIA for the purpose of ensuring the physical integrity and health of all persons working in the Group.

Ten years ago, the Group initiated its focus on safety supported by the "SAFETY is OUR business" program. It builds on our Charter for Health and Safety at Work, co-signed by the Group's CEO and Deputy CEO, underlining our objective of zero accidents in the workplace.

As each individual's behavior is key to improving day-to-day safety at our sites, the Group targets exemplary behavior in all situations and in all environments involving industrial, logistic or administrative work.

The Group is committed to preventing risks for the safety of both its permanent and temporary employees. The health and safety of our temporary employees are monitored and subject to measures of prevention, as with permanent employees. Workplace accidents for temporary employees resulting in time off are thus included in the Group's accident frequency rate, with those of permanent employees.

At Group level, health and safety are jointly supervised by our HR and Operations departments. At subsidiary level, oversight is assumed by a local body headed by the General Manager and generally supported by an OH&S correspondent designated for each site.

The Group is committed to attaining zero workplace accidents, whether affecting our permanent or temporary employees.

Actions implemented and results

- A survey of safety awareness, performed by the Dupont consulting firm, reached out to 5,243 Group employees at 37 industrial and administrative sites in France, and was taken up by 75% of employees. The survey helped measure the sites' degree of maturity in terms of safety culture, for the purpose of defining an action plan for implementation by each Group entity in 2020.
- Occupational health and safety training is performed at subsidiaries. In 2019, it amounted to 32.7% of the Group's total training.

- The Group also aims for each corporate meeting to begin with a review of safety.
- In May 2019, during the seventh Global Week for Health and Safety at Work, a Safety challenge brought together 268 teams representing a total of 1,340 Group employees, thus sharing safety requirements and best practices amongst all our sites and subsidiaries worldwide. The two winning teams visited one of our new industrial sites in France.
- A Group film was made, focusing on the achievements of the teams having taken part in the Safety Challenge.
- Behavioral Safety Visits are also performed at sites on a regular basis. In 2019, 16,479 such visits took place.
- An in-house group of safety experts meets several times per year and shares best practices via our Workplace corporate social network.
- The frequency* of workplace accidents (TFI) for both permanent and temporary employees amounted in 2019 to 10.4 per million hours worked. 373 accidents resulting in time off were recorded during the year.

Key performance indicators

	2017	2018	2019
% of subsidiaries with no workplace accident (for permanent and temporary employees) resulting in time off during the year	36.1%	40.7%	34.9%

It may be noted that the number of workplace accidents resulting in time off fell from 419 in 2018 to 373 in 2019. The split of the accidents between subsidiaries was more even in 2019, thereby explaining the deterioration in the key performance indicator above.

2 | IMPROVE QUALITY OF LIFE AT WORK

Issues, risks and policy

Quality of life at work is a key factor of attractiveness and employee retention. It is a particularly important part of HR policy in contexts of full employment.

The Group gives great importance to the quality of life at work and to employee relations, as a source of personal fulfilment and lasting performance.

To that end, it seeks to promote and maintain social dialogue, internal communication and listening to its employees. SAVENCIA Fromage & Dairy thus develops solutions to improve working conditions and quality of life in the workplace and regularly measures their effectiveness with a view to continuous improvement.

Social dialogue is decentralized to adapt to each business and to the particularities of each entity in accordance with the Group's principle of subsidiarity.

The Group thus undertakes to perform opinion surveys and develop plans for progress at all its subsidiaries in order to improve the quality of life in the workplace.

* Number of workplace accidents for permanent and temporary employees resulting in time off x 1,000,000/number of hours worked by permanent and temporary employees.

Actions implemented and results

- Great Place To Work (GPTW) surveys have been periodically performed at Group subsidiaries since 2009 for the purpose of assessing the social climate and providing each employee the opportunity for individual expression, on an anonymous basis, and for making his/her opinions known. **In 2019, a GPTW survey was performed at a majority of the Group's subsidiaries**, thereby fueling a common approach to all our entities. Each subsidiary is now engaged in a plan for progress in line with the results obtained.
- In 2019, three amendments were signed to collective agreements in France, the first relating to the Group's corporate retirement savings plan and the second to healthcare costs. The third relates to providence benefits and allowed for the institution of a new guarantee in respect of critical illness, reinforcing the existing basic cover by providing specific financial support for persons affected by serious illnesses cutting in as off the initial diagnosis.
- A new agreement was also signed on the functioning of the European Works Council.

In 2019, average Group-wide seniority amounted to 13.5 years.

Key performance indicators

Internal opinion surveys are performed about every three years. In 2019, 98% of the Group's subsidiaries participated in the GPTW survey and their average response rate amounted to 78%.

	2015-2017	2016-2018	2017-2019
% of subsidiaries having performed an internal opinion survey during the last three years*	52%	51%	98%

* The percentages calculated for SAVENCIA as a whole cover the last three years and are calculated for subsidiaries present within the Group between 01/01/2015 and 12/31/2018 and possessing at least 20 permanent employees.

3 | DEVELOP COMPETENCIES

Issues, risks and policy

The Group has always strived to implement a responsible and sustainable strategy, based in particular on the development and promotion of its employees and on a humanistic and entrepreneurial culture favoring the development of competencies, loyalty building and the maintenance of the Group's competitiveness.

It favors the professional and social fulfilment of the men and women who work in the Group. Driven by its culture, it accompanies their development within a professional environment propitious to their fulfilment.

Employee training and career management play a leading role in enabling each employee to enrich his or her skills in order to achieve personal development, contribute to collective success and maintain employability.

The training policy for the Group's employees focuses on performance management, accompanying change and preserving know-how with the objective of providing each employee the opportunity of progressing in professional and behavioral terms, consistent with the Group's values.

To encourage its employees' development, the Group's career management policy favors internal mobility and pushes it systematically at every level. In the case of executives, line managers and supervisors, the aim is to provide visibility for their career, to identify attractive opportunities in line with their expectations and to be able to develop their skills.

For many years, a policy of dual vocational training has been favored for the integration of apprentices or other trainees. The Group believes that such an approach is particularly adapted to accompanying future young graduates in their first steps within the company and to offering them subsequent lasting employment within SAVENCIA.

The Group intends to continue to develop competencies and to double the number of apprentices by 2025.

Actions implemented and results

- Development of our employer brand via Top Employer certification: in 2019, 3 new countries, namely China, the Czech Republic and Slovakia, developed their employer brand by obtaining the certification, as a result of which 8 of the Group's countries now possess this certification.
- Deployment of annual employee appraisals to subsidiaries, individual career monitoring and forward planning for jobs and competencies via the annual career review engaged in by all subsidiaries.
- The Group's offer of in-house training, Delta Compétences, has been enriched with the launch of three new certified training courses in English, Lean Management and Change Management. The structure of our training catalogue has equally evolved and presently covers six main areas: Management & Excellence, Digital & Collaborative Working, Change, Operating Excellence, Oxygen (CSR) and Functional Competencies.
- The launch of two new modules on our e-learning platform, *Learning@Savencia*:
 - GDPR training for European subsidiaries, provided to about 2,639 persons (with a 94% level of participation);
 - Nutrition training at Group level.
- The development of "blended learning" training, i.e. training combining physical attendance and digital elements.
- Preparation of a Guide for the subsidiaries' HR functions, to help them implement and support training sessions within their scopes of responsibility.

Key performance indicators

The calculation of the percentage of employees trained has evolved and is now based on average employees for the year.

	2017	2018	2019
% of employees trained during the year	71.6%*	69.5%*	73.8%

In 2019, a new indicator tracking the number of apprenticeship training contracts has been introduced.

	2017	2018	2019
Number of ongoing apprenticeship contracts at 31 December	308*	295*	321

In 2015, the Group had only 229 apprenticeship training contracts.

* Certain key performance indicators were recalculated for 2017 and 2018 following the identification of prior year anomalies.

** Weighted average for Group companies in excess of 50 persons in a position to calculate the index.

4 | COMMIT TO DIVERSITY AND INCLUSION

Issues, risks and policy

Faithful to its values and in compliance with regulatory requirements, SAVENCIA promotes equal opportunity for all with particular attention to non-discrimination. The Group's Ethical Charter recalls that "respect for people" and "equal opportunity" are cornerstones of our corporate culture. In that state of mind, agreements are signed and initiatives taken to facilitate the insertion of young people, the employment and continued employment of handicapped persons and gender equality.

The Group strives to promote gender equality in terms of qualification, training, remuneration and career development. In the framework of its Oxygen plan, SAVENCIA has committed to achieving gender parity in managerial positions by 2025.

In order to change how employees view handicaps, maintain jobs for handicapped persons and promote their recruitment, the Group has committed to its Action Handicap policy with four focuses on the employment and continued employment of handicapped persons:

- **Awareness-raising** to combat stereotypes;
- **Continued** employment;
- **Recruitment** of handicapped persons;
- **Development** of partnerships with the sheltered/adapted sector.

Actions implemented and results

- The organization of working conditions and departments designed to reconcile personal and professional life, e.g. by the alignment of working hours for couples working at the same plant.
- Arias, in Spain, has taken appropriate measures to ensure professional equality by setting up an ad hoc committee and has obtained the national certification for Corporate Equality.
- On average, 70% of the women employed within the Group (all socio-professional combined) had the benefit of at least one training session in 2019.
- Communication of the Group's 2019 gender equality index in France: 85/100** and identification of points for progress.
- In 2019, our handicap week was for the first time deployed throughout France with the aim of raising awareness and informing all employees on the subject.
- All subsidiaries with more than 250 employees have appointed handicap correspondents.
- A community of handicap correspondents has been implemented on the Group's Workplace corporate social network as a means of sharing initiatives taken, information and best practices.
- Development of partnerships with sheltered workshops.
- Insertion of handicapped persons by means of appropriate recruitment processes, support and training, individual welcome and integration, and adaptation of sites, jobs and working hours. Certain subsidiaries have signed agreements committing to support employees in obtaining recognition of their handicapped/disabled worker status.

- In France, appropriate measures and initiatives to counter age discrimination have been taken, involving tutoring, lifelong training, the improvement of working conditions and the prevention of arduous working conditions in particular for persons nearing retirement.

Key performance indicators

	2016	2017	2018	2019
% of women managers	39.6%	39.8%	40.8%	42.0%

	2016	2017	2018	2019
% of employees recognized as disabled	2.8%	2.7%	2.9%	3.0%

5| ENCOURAGE SOLIDARY COMMITMENT

Issues, risks and policy

Conscious of its economic and social impact within the territories in which it is implanted, and as a responsible and solidary company, SAVENCIA encourages subsidiaries and their employees to support local initiatives. The Group's subsidiaries, often set in rural areas, play an active role for the employment and economic and social development of their territory.

Numerous actions are undertaken, in collaboration with local and regional authorities, in particular in the areas of:

- Employment: partnership with national employment agencies, integration of apprentices and other trainees, communication of job offers to schools;
- Training: cooperation with schools and universities, payment of training taxes, sponsoring, visits of employees to schools.

The Group undertakes that each of its subsidiaries will perform at least one act of solidarity in line with our mission of "Leading the way to better food".

Actions implemented and results

- In 2019, the Group renewed its corporate sponsorship agreement with Planète Urgence, which allows volunteer employees to perform a two-week humanitarian assignment in the framework of a solidary leave for the purpose of placing their competencies at the disposal of a local NGO in Africa, Asia or South America. This year, 5 employees engaged in missions in Africa and South America. Two newsletters were published, in which the employees shared their experiences with all the Group's employees.

- Since 2011, the Arrondi sur salaire program enables volunteer employees to gift the cents of their monthly net compensation. Groupe SAVENCIA matches the amount of their gift. The sums collected are distributed to four partner associations.

- Locally, subsidiaries work together with cultural or solidary associations such as Restos du Cœur or Food Banks. They give money or make gifts in kind of their products or those collected by employees. One-off operations are mounted to help the victims of natural catastrophes.

- At Group level, our "Bien nourrir l'Homme" endowment fund supports employees playing active roles in associations, and it finances projects designed to enable all, and in particular children, obtain year-round access to healthy, balanced and sustainable food (e.g. via school canteens, solidary grocery stores, market gardening, animal husbandry, dietary education etc.).

- In 2019, 21% of the Group's subsidiaries made employees available for acts of solidarity.

Key performance indicators

	2017	2018	2019
% of subsidiaries partnering/organizing solidary actions or events*	21.7%	20.9%	30.2%

* Individual or collective solidary initiative undertaken by employees seconded for that purpose. For example, an employee assists an association for 5 months in the development and deployment of a website.

In 2019, an additional indicator reflecting the number of subsidiaries performing at least one act of solidarity in line with our mission of "Leading the way to better food" was deployed: 15.1% of our subsidiaries thus performed at least one such act of solidarity.

In 2019, 65.1% of our subsidiaries made gifts to associations.

Society at Large

The issues, risks, policy and results associated with the societal issues of respect for human rights and combating corruption and tax evasion are presented below but have not been covered by specific quantitative or qualitative objectives given their regulatory nature and their treatment within the chapter devoted to risk management and more particularly to the Group's vigilance/alertness plan and to the so-called "Sapin II" law.

1 | RESPECT FOR HUMAN RIGHTS

Issues, risks and policy

The Group is attentive to compliance with human rights and fundamental liberties and to respecting the conventions of the International Labor Organization (ILO) in particular for the following two themes:

- Individual employee development and collective cohesion:
 - Progressive worldwide extension of the annual individual review;
 - Promotion of social dialogue via employee representation.
- Compliance with local legislations and culture with regard to age:
 - No child labor;
 - No age discrimination.

Via its commitment since 2003 to the UN's Global Compact, SAUVENIA Fromage & Dairy undertakes to respect social requirements and fundamental human rights in all the countries in which the Group is present.

The Group's Ethical Charter – The Group and its Culture – recalls the Compact's 10 fundamental principles with regard to human rights, to working conditions and to the environment.

Actions implemented and results

- In 2019, a Group Committee for Ethics and Business Culture was created to define policies and implement systems for processing compliance alerts. The committee meets twice yearly to discuss all matters relating to the Group's business culture and compliance. Its members are the Group's Chairman and its General Secretary, Compliance Director, Human Resources Director, Legal Director and CFO.
- In 2019, a Duty of Vigilance Officer was appointed within the Group's Compliance Department, thereby confirming the Group's active support for human rights and fundamental liberties all along its value chain.
- Additional information in this respect is provided in the chapter on the duty of vigilance/alertness.

2 | COMBATING CORRUPTION

Issues, risks and policy

Fighting all forms of fraud and corruption is not only a regulatory requirement but a priority of the Group's enterprise culture.

Our action principles and rules of conduct are included in the ethical charter, The Group and its Culture, given to each new employee joining the Group. The Group's ethical charter and internal control help prevent and detect all forms of corruption. The most vulnerable countries are particularly under scrutiny.

Honesty and loyalty are part of the Group's four fundamental values, and trust and mutual interest are at the foundation of the relationships the Group wishes to develop with its partners. Suppliers are therefore selected on the basis, in particular, of those principles via open and competitive bidding.

The Group's entities undertake to:

- comply with international anti-terrorism and anti-money laundering requirements;
- fight fraud and corruption;
- comply with the principles of loyal competition, within the applicable legal framework;
- promote their products and services in an honest and loyal manner.

In the framework of France's so-called "Sapin II" law, the Group has established a detailed mapping of its exposure to external solicitation for the purposes of corruption. The mapping is designed to identify, assess and rank its exposures to corruption with a view to ensuring effective and appropriate compliance, but also to inform management and provide it with the necessary visibility for implementing measures of prevention and detection proportionate to the issues encountered.

The Group's Risk Management & Compliance Department monitors those measures, assesses their effectiveness and ensures that 100% of new employees at risk (as defined by the "Sapin II" law) are trained in the concepts of ethics and fraud.

Actions implemented and results

- In 2019, a compliance correspondent was appointed for each subsidiary and has received specific training.
- A compliance Charter for Subsidiaries' General Managers has been issued and classroom training on all the issues associated with corruption has been dispensed.
- In 2019, case studies on corruption were circulated to all subsidiaries in order to raise awareness and inform them of the means of response placed at their disposal.
- All the Group's compliance documents are available on an internal digital platform.
- A whistleblowing procedure and an anti-corruption code of conduct translated into nineteen languages have been deployed at all our subsidiaries.
- A Purchasing Code of Conduct sets out the rules for buyers in their dealings with suppliers in the four major areas of ethics and integrity, communication and collaboration, performance and progress, and sustainable and responsible purchasing.
- In 2019, 92.5% of the Group's employees at risk (as defined by the "Sapin II" law) have received training in the concepts of ethics and fraud.

3 | COMBATING TAX EVASION

Issues, risks and policy

Although the diversity of the Group's geographical locations makes it theoretically concerned by the risks associated with tax evasion, the nature of its activity limits its exposure.

In accordance with its values of courage, honesty and loyalty Groupe SAVENCIA, a family group, develops fiscal and financial policies which are responsible, measured and controlled. Its strategy postulates compliance with local legislations and the maintenance of long-term relationships, based on transparency, with all its partners.

In accordance with its societal commitments, the Group is also attentive to making an equitable contribution to the countries in which it operates by paying all the local taxes to which it is subject.

Actions implemented and results

- All the Group's tax, legal and treasury departments have been made aware of this issue and ensure that no legal, tax or financial arrangements are made within the Group with the objective of tax evasion.
- The Group's internal audit teams verify the effective application of the procedures defined by the Group when they perform reviews at subsidiaries.
- The Group's effective tax rate is higher than the weighted average of the local tax rates for the jurisdictions in which the Group is present. In 2019, it amounted to 37.82%.

Perspectives

2019 has been the year of deployment of our Oxygen plan to the Group as a whole, providing a shared ambition for the local initiatives launched by subsidiaries.

In 2020, SAVENCIA's Charter for Responsible Design will guide the Group's plans for product design or renovation in terms of nutrition, clean label or reduction of plastic packaging.

The performance, at the end of 2019, of the Great Place To Work survey in almost all the Group's subsidiaries will enable the implementation of plans to improve employees' quality of life at work.

Environmental impact remains a major issue and we are actively working on the new Oxygen ambition of approaching 100% of recyclable or biodegradable packaging by 2025.

All SAVENCIA subsidiaries worldwide are mobilized to pursue our quest for progress towards a sustainable, ethical and solidary world.

Appendix: the bases of reporting

Organization of reporting

Collection of Corporate Social Responsibility (CSR) indicators is monitored by the Group's functional departments for their respective areas. They are supported by their networks of local experts who contribute the raw data.

The Group's CSR Department is the preferred contact for the Group's external auditors.

Scope

Concerning Employee Wellbeing, the performance data covers 100% of permanent employees at the year-end. The previously published data have been reviewed to reflect changes in the scope of consolidation and the identification of anomalies with regard to certain key performance indicators.

For other indicators:

- The results for 2019 include 100% of the Group's production sites;
- The changes for 2015/2019 are presented like-for-like i.e. for subsidiaries present in both 2015 and 2019 (94.3% of the Group's total production sites).

Reporting procedures and guides

Two guides to environmental and social reporting define the Group's environmental and social performance indicators. A methodological memorandum presents the selection process for the issues selected by the Group.

The documents serve as references for external verification of the data as provided for by the implementing decree for article L. 225-102-1 of the French code of commercial law.

Reporting tools

Data from all subsidiaries are received and consolidated via the Group's consolidation system.

An annual questionnaire, providing for collection of all the data required, is distributed to, and completed by all Group subsidiaries (including all manufacturing, supply chain and sales locations) within the CSR scope of consolidation.

Consolidation and internal control

At Group level, the persons in charge of CSR reporting consolidate the data collected in order to prepare the Group indicators presented in this chapter.

They also ensure internal control over the data by verifying its coherence and consistency.

For that purpose, coherence tests are performed and significant variances are identified and explained, in conjunction with the data's contributors.

External verification

The nature of the work performed by the independent third-party entity, and its conclusions, are presented in an appendix.

Corporate governance

The Board of Directors

The Board of Directors is made up of fifteen members. They are appointed for a one year renewable term. At December 31, 2019 seven directors are independent on the basis of the criteria set by France's AFEF-MEDEF report. The Board sets its schedule of meetings, which are held every two months unless additional urgent or necessary meetings are called in the interest of the Company.

The specialist committees

The Board is assisted by two specialist committees. SAVENCIA Fromage & Dairy provides them with the means necessary for carrying out their task, when necessary with the help of the various departments concerned, and it gives them the ability to seek outside advice. Each of these committees meets several times a year and whenever its opinion is deemed necessary by the Board.

The audit and risks committee

This Committee comprises at least three members of the Board of Directors. It examines the consolidated financial statements and assesses the bases of their preparation in liaison with the Group's statutory auditors. It verifies the existence and proper functioning of internal controls and examines the Group's major risk exposures and commitments. In each of these fields, it assesses the Group's requirements, the technical and human resources employed and their suitability. It informs the Board of Directors of any observations or recommendations that it considers useful.

Members

Jean-Michel Strasser, Chairman,
Christian Mouillon, Martine Liautaud and Jean-Yves Priest.

The committee for management, remunerations and social and environmental responsibility

This Committee comprises at least three members of the Board of Directors other than the Chairman. It assists the Board on the organization and structures of the Group, the appointment and evolution of executive directors, the selection of new Board members and compensation policy. With regard to the various aspects of the policies for Social and Environmental Responsibility and Sustainable Development defined by the Group, the Committee advises the Board on any ethical questions with which executives may be confronted.

Members

Dominique Damon, Chairman,
Armand Bongrain, Ignacio Osborne, Clare Chatfield and Béatrice Giraud.

Composition of the Board of Directors

Alex Bongrain

Chairman

Armand Bongrain

Board member
and member of the committee for management,
remunerations and social and environmental
responsibility

Pascal Breton

Board member

Anne-Marie Cambourieu

Independent Board member

Clare Chatfield

Independent Board member
and member of the committee for management,
remunerations and social and environmental
responsibility

Dominique Damon

Independent Board member, and Chairman of
the committee for management, remunerations
and social and environmental responsibility

Béatrice Giraud

Board member
and member of the committee for management,
remunerations and social and environmental
responsibility

Xavier Govare

Independent Board member

Maliqua Haimeur

Independent Board member

Martine Liautaud

Independent Board member,
and member of the audit and risks committee

Christian Mouillon

Independent Board member,
and member of the audit and risks committee

Jean-Yves Priest

Board member,
and member of the audit and risks committee

Ignacio Osborne

Independent Board director
and member of the committee for management,
remunerations and social and environmental
responsibility

Jean-Michel Strasser

Board member
and Chairman of the audit and risks committee

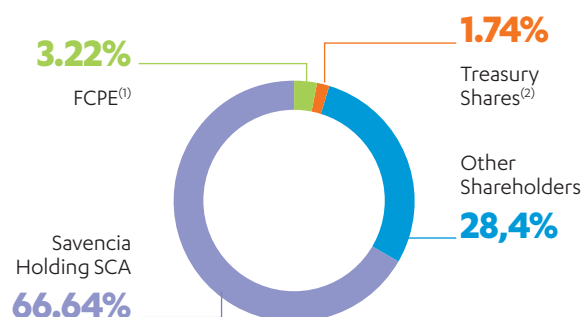
Société Savencia Holding

Represented by Xavier Cruse

Stock market activity in 2019

- Euronext Paris – Eurolist Compartment B
- ISIN code FR0000120107
- Par value: €1
- Number of shares: 14,032,930
- Market capitalization at 12.31.2018: €783.04 million
- Euronext closing market price on 12.31.2019: €61.4
- Market capitalization at 12.31.2019: €861.62 million

Composition of the share capital in 2019



(1) Employees of SAVENCIA Fromage & Dairy and its associated companies, as defined by articles L3344-1 and following of the French code of labor law, holding shares of SAVENCIA Fromage & Dairy in the framework of the Company's employee savings plan.
(2) Including the Company's liquidity contract.

Data per share

In euros	2019	2018	2017	2016	2015
Equity	104.35	99.50	98.23	97.04	90.57
Net income	5.33	3.94	6.69	7.48	4.07
Net dividend ⁽¹⁾	0	1	1.4	1.6	1
Global yield ⁽²⁾	2.28%	1.79%	1.73%	2.39%	1.67%

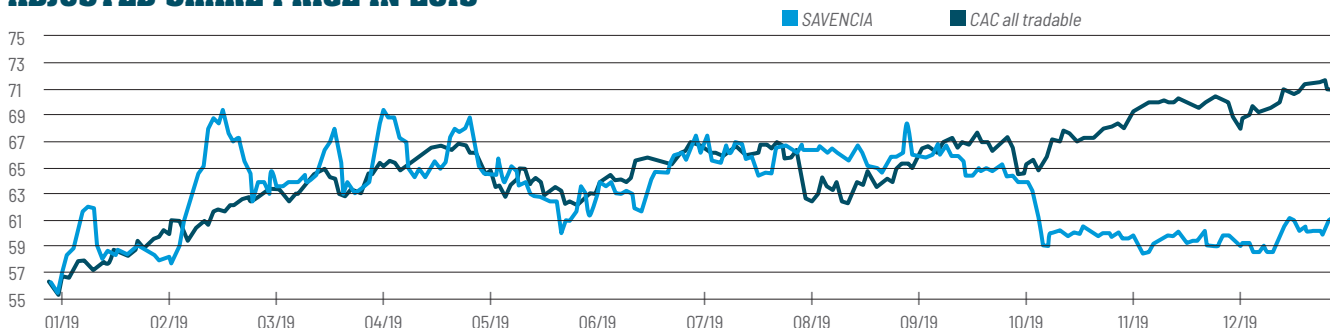
(1) Proposal from the Board of Directors on March 31, 2020 to the AGM held on April 23, 2020.

(2) Based on the share price at December 31.

Stock market data per share

In euros	2019	2018	2017	2016	2015
Highest adjusted price	69.4	90.8	88.88	68.8	64.8
Lowest adjusted price	55.4	55.4	67.43	54.35	49.5
Price at December 31	61.4	55.8	80.72	66.9	59.7
Market capitalization at December 31 (in millions of euro)	861.62	783.04	1,132.74	938.80	838.19

ADJUSTED SHARE PRICE IN 2019



Shareholders' agenda

Annual general meeting April 23, 2020

Financial information

Annual net sales for 2019	February 6, 2020
Annual results for 2019	March 5, 2020
1 st quarter net sales	April 23, 2020
Half-yearly results	September 3, 2020
3 rd quarter net sales	October 22, 2020
Annual results	March 2021

Management report

In 2019, the Group operated in a dairy environment more favorable to its operations. World milk production was slack under the influence of adverse climatic conditions. The price of milk is on the rise. The world price for skim milk powder, historically low at the end of the 1st quarter of 2018, gradually improved and continued to rise throughout 2019, supported by the elimination of the EU's intervention stocks and by supply shortfalls for milk powder. The average price for 2019 rose by 42.6% over that for 2018. The world price for block butter, that had fallen since the 1st half of 2018, gradually rose at the end of 2019. Strong exports in the fall of 2019 brought butter inventories down to a level only slightly higher than the norm.

The European market for dairy products remained impacted by strong competition between retailers. Our International operations pursued their development, but South America remained confronted with excessively unstable and inflationary economies, notably in Argentina, resulting in falling demand.

In that context, SAVENCIA Fromage & Dairy pursued its development, drawing on the strength of its brands and the quality of its products.

SCOPE OF CONSOLIDATION AND FINANCIAL REPORTING STANDARDS

At the end of July 2019, the Group acquired 100% of Fromageries Papillon SAS, SCI du Bousquet, SNC Fromageries du Levezou, SNC Saveurs de France and SNC Force Plus. Les Fromageries Papillon is one of the historical manufacturers of the Protected Denomination of Origin Roquefort cheese distributed under the Papillon brand since 1906. This acquisition is within the Group's strategy of developing its portfolio of original cheese brands recognized for their high quality. The entities have been fully consolidated with effect from their date of acquisition. Post-acquisition, Fromageries Papillon contributed €10.2 million to the consolidated net sales in 2019, and €0.6 million current operating profit.

In 2018, the Group subscribed to share capital increases reserved for the benefit of non-controlling interests in respect of Ferrari in Italy, thereby increasing its interest from 27% to 49%, and of La Compagnie Fromagère de Tunisie, in Tunisia, thereby increasing its interest to 50%. The companies are now subject to joint control but continue to be consolidated by use of the equity method.

The Group also acquired 80% of Bake Plus Co, Ltd in South Korea on March 21, 2018 and 70% of Rogue Creamery in the USA on May 16, 2018. Both acquisitions include purchase and sale options for the residual interests.

The Group's consolidated financial statements have been prepared in accordance with IFRSs as adopted by the European Union.

The Group has applied the new texts obligatorily applicable from January 1, 2019 including: IFRS 16, the new standard on leases, IFRIC 23, the new interpretation on uncertainty over income tax treatments, the IFRS 9 amendment on prepayment features with negative compensation, the IAS 28 amendment on long-term interests in associates and joint ventures, the IAS 19 amendment on plan amendment, curtailment or settlement and the annual improvements to IFRSs for 2015-2017.

The amendments to IFRS 9, "Financial Instruments", IAS 39, "Financial Instruments: Recognition and Measurement" and IFRS 7, "Financial Instruments: Disclosures", published in September 2019 by the IASB to resolve the issues associated with the reform of the IBOR and its potential impacts

for hedge accounting, during the period preceding the replacement of a rate of reference by an effective interest rate, are obligatorily applicable on a retrospective basis for accounting periods commencing on or after January 1, 2020. The Group has chosen to make early application, as is permitted by the amendments.

The Group has not made early application of standards and interpretations that will not become applicable before the end of 2019. The Group is in the process of reviewing all the new standards, amendments and interpretations which will become applicable in 2020.

As the Group is present in Argentina, it applies **IAS 29, "Financial Reporting in Hyperinflationary Economies"**.

ACTIVITY AND RESULTS

The geographical dispersion of its markets and the diversity of its businesses enable SAVENCIA Fromage & Dairy (the dba [doing business as] name of SAVENCIA SA) to confront with maximum confidence the economic volatility liable to affect levels of consumption and costs, since consumer demand does not evolve in the same way in mature and developing markets and is also responsive to the type of retail product and to the intensity of marketing activity undertaken. Further, any fluctuation in the world prices for industrial products does not normally affect Cheese Product and Other Dairy Product operations at the same time, with the same amplitude and in the same direction. Cost increases may translate into net sales price increases given the strength of our brands and the often-innovative nature of our consumer offerings.

Other risk-related elements are presented on page 62 in the "Internal control, risk management and duty of vigilance" section.

SAVENCIA Fromage & Dairy's consolidated net sales for 2019 amounted to **€5,007.3 million** compared with **€4,862.6 million** for 2018, an increase of +3%.

Like-for-like for scope⁽¹⁾ and foreign exchange⁽²⁾, the increase amounts to +2.8%. The trend in net sales has been penalized by a severe negative foreign exchange impact of -0.3% mainly reflecting the loss in value of the Argentinian peso due to local inflation, partly offset by the increase in value against the euro of several other currencies and of the US dollar in particular. The +0.4% scope of consolidation impact reflects the consolidation of Bake Plus and Rogue Creamery, acquired in 2018, and of Fromageries Papillon acquired during the second half of 2019. SAVENCIA Fromage & Dairy's net sales growth in 2019 is mainly attributable to sustained volume for the Group's major brands, to the favorable price impact of world milk powder prices in particular, and to the pursuit of the Group's international development.

(1) The scope adjustment for newly consolidated entities involves:

- For new entrants of the current period, deducting the entrant's contribution to the reported aggregates of the current period;
- For new entrants of the prior year, deducting the entrant's contribution from January 1 of the current period to the end of the month of the current year in which the acquisition took place the year before.

The scope adjustment for newly deconsolidated entities involves:

- For exiting companies of the current period, deducting the entity's contribution to the reported aggregates of the prior year from the 1st day of the month of divestment and till the end of the year;
- For exiting companies of the prior year, deducting the entity's contribution to the reported aggregates of the prior year.

(2) The foreign exchange adjustment involves calculating the reported aggregates of the current period using the foreign exchange rates of the prior year.

Net sales achieved outside France rose from 70% of the total in 2018 to 71% in 2019.

Current operating profit rose by +8.2% compared to 2018, to €192.1 million including a positive scope impact of +0.4% and a negative foreign exchange impact of -3.8% mainly reflecting the hyperinflationary economic context in Argentina.

Like-for-like, current operating profit rose by +12.1%, reflecting:

- A dairy environment more favorable to the development of Other Dairy Products given, in particular, the rise in world prices for milk powder;
- Positive volume trends for our major brands;
- Increases in raw material prices and production costs; and
- The continuing development of our activities internationally.

That evolution has nevertheless suffered the impact of:

- Partial product delistings, with particular impact for our volumes in Europe;
- The inflationary economic context in certain countries of South America in particular; and
- The pursuit of our drive for rationalization.

Current operating margin improved slightly to 3.8% compared with 3.7% in 2018.

Cheese Products

Net sales for Cheese Products rose by +4.1% over 2018, to **€2,911.5 million** or 58.1% of SAVENCIA Fromage & Dairy's total consolidated net sales compared with 57.5% in 2018.

The change in net sales included:

- Organic growth⁽³⁾ of +3.2%;
- A +0.5% positive foreign exchange impact mainly attributable to the gain in value of the US dollar; and
- A structural impact of +0.4% following the acquisition of Rogue Creamery in May 2018 and Fromageries Papillon at the end of July 2019.

In Europe, net sales benefited in certain countries from sales price increases in line with the increased price for milk paid to producers, whilst retaining positive volume trends for our major brands. Our volumes suffered temporarily in Europe from partial delisting of our products by certain retailers, refusing to accept strict application of France's EGalim law.

Internationally, our net sales reaped the benefit of a globally positive foreign exchange impact. Organic growth was positive for our North American, South American and Asian zones. Our volumes continued to develop more rapidly than in Europe.

Current operating profit amounted to €139.3 million, down €19.7 million or by -12.4% over 2018. Operating margin for the segment contracted from 5.7% to 4.8% in 2019. In particular, Central and Eastern Europe have had to face significant increased costs for raw materials and labor notably linked to the existence of full employment in this zone.

Other Dairy Products

Net sales of Other Dairy Products amounted to **€2,243.6 million**, an increase of +2.3% over 2018. They represented 44.8% of SAVENCIA Fromage & Dairy's total consolidated net sales compared with 45.1% in 2018.

The increase included a:

- +3.5% organic growth reflecting:
 - Price increases mainly as a result of Argentinian inflation;
 - Increased world prices for milk powder; and
 - The negative impact of the -18% fall in the world price for butter, a fall which accelerated during the 2nd half of the year;
- -1.4% foreign exchange impact mainly reflecting the fall in value against the euro of the Argentinian peso partially offset by the US dollar and the Chinese yuan; and
- +0.3% structural growth following the acquisition of Bake Plus in March 2018.

Current operating profit for Other Dairy Products amounted to €76 million compared with €41 million in 2018, an increase of +85.4%. Operating margin rose from 1.9% in 2018 to 3.4% in 2019. Our butter and cream businesses were more profitable in 2019 and the Ingredients business also reaped the benefit of the increased world prices for milk powder.

Unallocated items

Current net operating expense for unallocated items amounted to -€23.2 million compared with -€22.3 million for 2018, mainly representing our holding company costs.

Non-recurring items amounted to **-€54.7 million**, compared to -€61.8 million in 2018, including -€23.6 of net reorganization costs (essentially in France), -€25.9 million of impairment of assets (of which -€19.7 million relating to the closure of the St Saviol site in France) and -€5.2 million of other items.

Operating Profit amounted to **€137.4 million**, a fall of **-18.6% over 2018**.

SAVENCIA Fromage & Dairy's **net financial expense** amounted to **-€21.3 million** for 2019, compared with -€18.4 million in 2018, reflecting the additional +€3.1 million of interest for lease obligations following the first-time application of IFRS 16.

The +€2.5 million of result on net monetary position for 2019, compared with -€14.6 million in 2018, reflects the application of IAS 29 on hyperinflationary economies (Argentina).

⁽³⁾ Organic growth measures the change of a given aggregate, like-for-like for Group structure and foreign exchange rates, after the adjustments for foreign exchange and Group structure described above.

The Group's share of net income of associates amounted to **+€2.0 million** compared with +€2.9 million in 2018.

Income Taxes amounted to **€45.6 million**, a rise of +€17.2 million over 2018 with an effective rate of 37.8% compared with 33.2% in 2018 (the rate for 2019 would fall to 35.5% in the absence of Argentinian inflation). The rise in the effective tax rate is notably attributable to the recognition of impairment losses not deductible for tax purposes.

Net income for continuing operations amounted to **€75 million** compared to €57.3 million in 2018.

There was no profit or loss for operations discontinued or in process of sale.

Net income for the period attributable to the shareholders of SAVENCIA Fromage & Dairy amounted to **€73.6 million** (€54.8 million in 2018).

CAPITAL EXPENDITURE

SAVENCIA Fromage & Dairy's **investment in intangible assets and property**, plant and equipment rose by +11.7% from **€195.9 million** in 2018 to **€218.9 million** in 2019.

Its breakdown by business segment was as follows:

- 📈 Cheese Products: 65.6%;
- 📈 Other Dairy Products: 29.1%;
- 📈 Unallocated investment: 5.3%.

External development comprised the acquisition of Fromageries Papillon in 2019. In 2018, the Group acquired Bake Plus in South Korea and Rogue Creamery in the USA, as well as non-controlling interests in Ferrari (Italy) and La Compagnie Fromagère de Tunisie.

RESEARCH AND DEVELOPMENT

SAVENCIA Fromage & Dairy has always considered research and development expenditure as key to innovation and thereby to growth of its businesses. Consistently with our business culture and operating policies, development activities are organized by technological division in order to meet the specific requirements of each business. They are transversally coordinated and focus on balanced diet and the exploitation of milk's nutritional qualities.

All research and development expenditure is accounted by nature and charged to profit or loss as incurred.

EMPLOYEES

The Group employed on average (including temporary staff, and at fully consolidated entities) **20,031 employees in 2019 compared with 19,888 in 2018, a rise of +0.7%**. Like-for-like, the increase amounted to +0.4%. The scope effect reflected the acquisition of Fromageries Papillon in 2019 and Bake Plus and Rogue Creamery in 2018.

Their breakdown by business segment was as follows:

- 📈 Cheese Products: 71.5%;
- 📈 Other Dairy Products: 24.4%;
- 📈 Unallocated investment: 4.1%.

FINANCIAL POSITION

The Group's **balance sheet** continues to reflect a sound financial position.

Equity rose by +€68 million, or +4.9%, compared with 2018, to **€1,464.3 million**.

Net borrowings* rose by +€41.3 million to **€604.9 million** and represent **41.3% of equity** compared to 40.4% as of December 31, 2018.

The financial ratios imposed by the Group's covenants have been respected.

SAVENCIA Fromage & Dairy has no significant exposure to financial market risks. As in the past, its foreign exchange risks are limited by the policy of locating production units close to their sales markets. Interest rate risks are limited by a policy of prudent hedging.

EVENTS AFTER THE YEAR-END

A memorandum of understanding was signed with Sodial on October 4, 2019 for the purpose of increasing CF&R's integration within SAVENCIA Fromage & Dairy and developing synergies. On March 13, 2020 the European Commission informed the Group that it was not opposed to the Group's acquisition of control over Compagnie des Fromages & Riches-Monts which it deemed compatible with the internal market. The timing for finalizing this transaction is under preparation; it will include pursuit of the process of informing CF&R's staff representative bodies. The transaction will involve the full consolidation of CF&R in SAVENCIA Fromage & Dairy's consolidated financial statements for 2020.

OUTLOOK

In 2020, Groupe SAVENCIA Fromage & Dairy will continue to add value to the milk purchased for the retail products it processes and distributes in France, thanks to constructive dialogue with milk producers and the distributors of its products.

It is as yet too early to assess the impact of Covid-19 but it appears certain that the crisis will influence economic activity with particular regard for food service businesses. In this context, the Group's priority in 2020 will be to preserve its employees whilst pursuing its efforts of competitiveness in order to ensure the profitable growth of its brands thanks to the quality of its products and the commitment of all its employees.

* Net debt does not take account of the purchase and sale options contracted with the holders of non-controlling interests in Group companies or of the lease liabilities associated with the first-time application of IFRS 16 in 2019 (see note 27 to the consolidated financial statements).

Internal control, risk management and duty of vigilance

GENERAL REMARKS

SAVENCIA Fromage & Dairy's internal control procedures are designed in particular to ensure that the accounting and financial information communicated to the Group's corporate governance bodies provides a true and fair view of the financial performance and financial position of the companies comprising the Group. They are also intended to provide control over the operating processes deployed at the Group's various operating entities.

Internal controls are implemented by each Group entity under the impulsion of Group general management, with support from the Board of Directors and its Audit and Risks Committee, with the purpose of ensuring that:

- The laws and regulations applying in each of the countries in which the Group operates, and the Group's operating policies, are duly complied with;
- Its assets are safeguarded;
- The accounting and financial information communicated to the Group's corporate governance bodies provides a true and fair view of the financial performance and financial position of the companies comprising the Group and complies with all the applicable laws and regulations.

The internal control procedures are equally designed to prevent and detect error and fraud. As with any system, they cannot provide absolute assurance as to the complete identification and control of all risks.

The Group's enterprise risk management at all levels of the Group, based on its risk mapping, aims to control the Group's operating, financial, strategic etc. risks whilst optimizing:

- Means of prevention;
- Means of reducing or covering risks (e.g. via insurance);
- The acceptance of certain risks.

RISK MAPPING

The Group possesses three descriptions of its risks prepared in liaison with general management. The descriptions are designed to identify the main risks to which the Group is exposed and to develop measures designed to reduce, so far as possible, their impact and occurrence:

- A description of "Group" risks;
- A description of "Sapin II" Law risks;
- A description of "Law on the Duty of Vigilance" risks.

Risk mapping of "Group" risks

Deployment of our enterprise risk management approach to the Group's main operating subsidiaries continues in order to improve the Group's knowledge of the risks with which it is confronted. In 2019, risk-mapping was completed at 24% of subsidiaries and had been performed but was still awaiting formal approval for a further 35% of subsidiaries.

Risk mapping includes the following phases:

- Identification of risks: a risk is the possibility of occurrence of an event the consequences of which would be liable to affect people, assets, the environment, the Group's objectives or its reputation;
- Evaluation of the level of severity of risks: risks are assessed in terms of their probability of occurrence and impact;
- Analysis of the level of control over risks: this involves examining the existing measures of prevention and protection and, in consequence, the level of control over potential exposures.

The main risks identified at the level of the Group are as follows:

In 2019, our risk-mapping has focused on about fifteen risk families as follows:

Sanitary crisis

Consumer confidence in the Group's brands requires raw materials and products of irreproachable quality. The Group is therefore particularly attentive to its products' food safety. The risk of contamination is mainly related to microbiological causes, but also includes potential chemical contaminants, allergens or foreign bodies at all stages of product elaboration from the collection of milk, or purchase of other raw materials, through manufacturing to storage and distribution.

The Group's quality assurance policy covers raw material purchase processes, production and distribution. It is in line with the most severe international protocols for food safety diagnosis and control and is continuously updated in particular for new businesses such as infant formula or para-pharmaceuticals.

Geopolitical risk

Geopolitical tensions or instability, and the eventual reinforcement of customs barriers, may have impacts on the Group's development or result in losses of volume.

The Group engages in monitoring in order to anticipate such changes on a timely basis.

Inability of sites to function

The Group's sites may be exposed to unavailability for various reasons: strikes, unavailability of a telecommunications operator, impediment of a computer system etc. The Group engages in exhaustive assessment of the risks applicable to each subsidiary in order to define appropriate business continuity plans.

Strategy & Governance

The Group is exposed to strategic risks which may impede its development within the context of strong competition. It therefore pays particular attention to subjects such as digital transformation and the maintenance of its competencies.

Milk

The Group pays particular attention to its contracts for the supply of milk, to the medium-term fit of requirements and resources, to the evolution of the price paid for milk to producers and to the market value obtained for the milk it purchases notably in its export markets and for dairy ingredients.

Financial risks

Market risk

The Group is exposed to financial risks such as the risk of changes in interest or foreign exchange rates, or in the purchase prices for raw materials, which may have an unfavorable impact on its sales and financial results.

The Group's policy consists in monitoring and managing the associated exposures centrally and only using derivative financial instruments for the purpose of economic hedging. Market transactions are subject to strict procedures. Foreign currency risk is also limited by the Group's strategy aimed at producing and commercializing most of its specialties on a local basis.

Investment risk

The Group is exposed to counterparty risk, in particular with regard to its banking partners, in the framework of its financial management. The Group's banking policy is designed to reduce its risks by diversifying its counterparties, giving preference to the quality of their credit and liquidity and applying financial limits for any one counterparty.

Financing risk

The Group has had occasion in recent years to increase its debt via short and long-term financing. The Group's financing policy consists in centralizing and diversifying its financing sources and ensuring its compliance with the associated covenants.

Risk of price volatility for raw materials

In all the markets in which it operates, the Group is confronted with increasing price volatility, for milk and industrial products, which has become more acute in Europe since 2007 and taken a new turn for the worse in 2015 with the suppression of milk market regulation. In the event of a steep rise in market prices, the Group might not be able to raise its prices to distributors in the same proportion and in accordance with the same timing, thereby inducing a risk for its financial results. In the event of a steep fall in market prices, the Group might have to reduce its selling prices for industrial products to a greater extent than the reduction experienced for its raw materials.

Faced with this risk, the Group is able to rely on:

- A unique portfolio of international and local brands recognized in their markets;
- The diversity of its businesses and geographical markets which give it maximum scope for compensating for the economic fluctuation liable to impact levels of consumption or its cost components.

Human resources

The health and safety of the men and women who work for the Group are a priority. In order constantly to improve safety at work, the Group has deployed an international program of mobilization, training and management known as "Safety is OUR business!" It includes a guide destined for all production units; poster displays of the program's 10 golden rules ensure comprehensive dissemination of the goals of prevention. The program's Behavioral Safety Visits are a key feature of the program, raising awareness and commitment on the part of all the persons concerned: general management, line managers and operatives. A program designed to enhance the safety of travelling personnel has also been developed.

Exposure in respect of infantile products and ingredients

The Group considers the quality and compliance with sanitary standards as a priority for such products. It has deployed measures of organization which enable it to engage in improved monitoring and anticipation of any potential crises.

Epidemiological risk

Certain factors, including the globalization and interconnection of economies and regular movements of population across the globe, favor the development of epidemiological exposure liable to reduce or freeze production and activity at industrial or administrative sites.

The Group's business model, based on local production and local brands spread over a large number of plants located on all the continents, of course limits the extension of any such epidemiological risk and the same applies to the Group's administrative locations. The Group also engages in business continuity planning for all its sites, notably designed to enable the relaunch of even distant sites.

Regulatory and compliance risks

The Group's activities are subject to multiple laws and regulations, fluctuating and ever more demanding, with regard to food safety, consumer protection, nutrition, the environment and competition law.

The Group strives to ensure compliance with all the applicable legal and regulatory requirements of the countries in which it operates and engages the measures it deems appropriate for that purpose. In addition to permanent monitoring of regulatory developments, it thus for example develops awareness-raising campaigns directed at the employee populations concerned and engages in appropriate training initiatives.

Risk of loss of customers

The concentration of hypermarket and supermarket chains, the Group's foremost retail customers, increases the risk of delisting given that sales are progressively made to a smaller number of customers.

To guard against this risk, the Group stresses the strength of its brands, the quality of its services to customers and the profitability accruing to its customers by means of the Group's policy of regular innovation.

CSR risks

Via its Oxygen plan and vigilance plan, the Group addresses CSR risks on the basis of an overall ambition backed up by local initiatives on the part of its subsidiaries.

In respect of climate risk, sites which have identified potential risks have engaged in preparation by adopting business continuity plans and performing specific surveys.

Fraud and attack via the Group's information systems

The unavailability of information systems generally constitutes a risk for the Group. The constitution of a reinforced team responsible for information systems security helps address this technological risk which requires input from specialist staff.

Major incident/Strategic site

Certain specialties or strategic ingredients are manufactured or transit via a limited number of sites or even a single site. The occurrence of an incident resulting in the total or partial destruction of one such site might have a material impact on the production and commercialization of the products concerned.

For many years, the Group has pursued a program of securing its sites, and preventing fire risks, with the help of its insurers and sets improvement objectives for its main industrial sites designed to reduce the occurrence of such risks. The Group also continues to engage in business continuity planning for the event of any major incident. The Group has equally always, traditionally, practiced a prudent policy of protection of

its assets and insurance cover for major risks such as damage to assets, loss of profits and civil liability.

E-reputation of major brands

The Group's reputation and its image may at any time be damaged by unfavorable events harming our product notoriety, or by the uncontrolled dissemination (via the media and social networks) of harmful information relating to our activities, production facilities, brands, products or their composition and to our management.

To cope with this risk, the Group has developed crisis management arrangements designed to prevent situations of crisis and mitigate their impacts.

Risk mapping of "Sapin II" law risks

In accordance with the provisions of the French law of December 2016 (the so-called "Sapin II" law) on the subject of transparency, combating corruption and modernization of the economy, the Group is required to engage in risk mapping of its exposure to external solicitation for the purposes of corruption in terms notably of the geographic zones in which it operates.

The risk mapping has two series of objectives:

- To identify, assess and rank the risks of corruption in order to ensure effective and appropriate compliance control;
- To inform management and provide management with the necessary visibility for the deployment of measures of prevention and detection proportionate to the issues identified.

In 2019, our mapping of "Sapin II" risks has been complemented by a methodological memo describing the risk mapping process in detail. A specific questionnaire will be issued to all subsidiaries in 2020 for the purpose of fine-tuning our approach which is expected to gain increasing importance in the coming years.

Risk mapping of law on the Duty of Vigilance risks

France's law on the Duty of Vigilance has created a legally enforceable requirement on the Group to identify and prevent breaches of human rights, fundamental liberties, health and safety and environmental damage with regard not just to its own activities but to the activities of the companies it controls.

The Group's resulting risk mapping included in its 2019 vigilance plan has two focuses – raw materials/industries and our activities – thereby enabling more detailed analysis of the risks at stake.

General Data Protection Regulation (GDPR)

The Group has continued to implement its GDPR compliance in 2019.

CONTROL PHILOSOPHY

The Group's internal control and enterprise risk management procedures reflect its policy of subsidiarity and operating autonomy of its various units, as well as the description of its risks. The parent company controls the operations of its subsidiaries via:

- Specialized departments responsible for providing guidance and supervision;
- The Finance Department which assesses their results and the Group's financial equilibrium.

The Board of Directors' Audit and Risks Committee assesses the effectiveness of the controls in place based on the work performed by Internal Audit and by the Group's statutory auditors.

In the framework of a multi-annual plan the Internal Audit Department, which reports to Group general management, assesses the level of internal control prevailing at each entity, and within the Group's ever more significant Group-wide processes, using for that purpose the framework of reference defined by the Autorité des Marchés Financiers (AMF), France's financial markets oversight board. Its assignments contribute to identifying the major risks associated with each entity's operations, in conjunction with the Group's risk description prepared in the framework of the Group-wide enterprise risk management approach currently under deployment. The report prepared at the end of each assignment highlights points for improvement of internal control. The entities involved are then required to prepare and implement action plans and report periodically on the progress achieved. These action plans are supervised by the directors responsible for each of the Group's businesses and are monitored annually by the Internal Audit Department.

With regard to financial reporting, the preparation of each subsidiary's financial statements involves:

- Use of a Group-wide chart of accounts;
- Reference to an accounting manual designed to harmonize the Group's accounting policies.

Subsidiaries prepare monthly reports, including prior year comparatives, as well as annual profit forecasts. The Group's Finance Department monitors performance actively and validates the information received from the finance directors responsible for each of the Group's businesses.

Each subsidiary's statutory accounts, as well as the restating entries for the purposes of the Group's half-yearly and annual consolidated financial statements, are also subject to statutory audit at the level of each subsidiary. Subsidiaries' statutory auditors are appointed on a coordinated basis in liaison with the parent company's auditors. The directors of each subsidiary sign a letter of representation, addressed to the Board of Directors, as to the quality and content of their financial statements.

The process of preparation of the Group's consolidated financial statements is underpinned by an information system enabling the collection of subsidiaries' statutory accounts as adjusted for Group reporting purposes, plus the additional information required for the consolidated financial statements.

In order to provide optimal internal control over the consolidation process and data used, the abovementioned system is a unique one the access to which is strictly controlled. The reliability of the consolidation processing and the faithfulness of the resulting consolidated financial statements are guaranteed by appropriate segregation of duties and supervision.

As part of their verification of the consolidated financial statements, the statutory auditors perform an annual review of the procedures contributing to their preparation and issue appropriate recommendations for their improvement which are acted on in order regularly to improve our existing procedures.

Consolidated financial statements

As of December 31, 2019

Consolidated income statement

In thousands of euro	12 months	
	2019	2018
NET SALES	5,007,294	4,862,625
Purchases adjusted for changes in inventory	-3,238,024	-3,190,326
Personnel costs	-918,127	-868,167
Depreciation and amortization ⁽¹⁾	-166,438	-132,743
Other current operating expense	-492,579	-493,748
CURRENT OPERATING PROFIT	192,126	177,641
Other operating income and expense	-54,675	-61,772
TOTAL OPERATING PROFIT	137,451	115,869
Financial expense ⁽¹⁾	-31,778	-30,375
Financial income	10,466	11,953
Gain or loss on net monetary position	2,458	-14,599
Group share of results of associates	2,032	2,882
PROFIT BEFORE TAX	120,629	85,730
Income tax expense	-45,617	-28,428
Net income from continuing operations	75,012	57,302
NET INCOME	75,012	57,302
Net income attributable to equity holders of the parent company	73,602	54,826
Non-controlling interests	1,410	2,476
EARNINGS PER SHARE		
Attributable to equity holders of the parent company:		
• basic	5.33	3.94
• diluted	5.27	3.86
For continuing operations:		
• basic	5.33	3.94
• diluted	5.27	3.86

(1) Including the impact of the first-time application of IFRS 16.

Consolidated statement of comprehensive income

In thousands of euro	12 months	
	2019	2018
NET INCOME	75,012	57,302
Other comprehensive income:		
Foreign exchange differences ⁽¹⁾	11,837	-30,869
Change in fair value of cash-flow hedges, net of taxes ⁽²⁾	-1,456	-3,352
Currency basis spread ⁽³⁾	432	512
Hyperinflation ⁽⁴⁾	11,983	24,497
Other changes	87	-1,991
Share of associates and joint ventures in recyclable components	306	-358
Total recyclable components of other comprehensive income	23,189	-11,561
Actuarial gains and losses relating to employment benefit plans	-10,766	3,792
Share of associates and joint-ventures in non-recyclable components	-296	118
Total non-recyclable components of other comprehensive income	-11,062	3,910
Total other comprehensive income net of tax	12,127	-7,651
TOTAL COMPREHENSIVE INCOME NET OF TAXE	87,139	49,651
Group share	86,321	47,103
Non-controlling interests	818	2,548

(1) Mainly relating to the following foreign currencies: RUB, USD, ARS.

(2) Mainly relating to hedging of interest rates and raw materials.

(3) IFRS 9 excludes the currency basis spread from the hedging relationship.

(4) Restatement of Argentina's hyperinflation.

Consolidated statement of balance sheet

Assets

<i>In thousands of euro</i>	December 31, 2019	December 31, 2018
Intangible assets	560,100	532,536
Property, plant and equipment	1,084,050	1,022,586
Right-of-use assets	63,598	-
Other financial assets	30,136	29,954
Investments in associates	134,761	132,729
Non-current derivative financial instruments	22,479	11,462
Deferred tax assets	49,916	43,080
TOTAL NON-CURRENT ASSETS	1,945,040	1,772,347
Inventories and work in progress	565,746	517,480
Trade and other receivables	886,052	828,892
Tax receivable	44,521	50,167
Current derivative financial instruments	4,819	5,819
Other current financial assets	11,449	12,157
Cash and cash equivalents	465,896	471,936
Assets held for sale or relating to discontinued operations	1,550	-
TOTAL CURRENT ASSETS	1,980,033	1,886,451
TOTAL ASSETS	3,925,073	3,658,798

Equity and liabilities

<i>In thousands of euro</i>	December 31, 2019	December 31, 2018
Paid-in capital	80,563	89,288
Reserves	-93,449	-94,115
Retained earnings	1,376,305	1,296,678
GROUP SHARE OF EQUITY	1,363,419	1,291,851
Non-controlling interests	100,918	104,468
TOTAL EQUITY	1,464,337	1,396,319
Provisions	138,587	130,913
Non-current financial borrowings	323,292	342,902
Non-current lease liabilities	42,985	-
Other non-current liabilities	15,865	40,189
Non-current derivative financial instruments	20,230	11,492
Deferred tax liabilities	55,846	49,884
TOTAL NON-CURRENT LIABILITIES	596,805	575,380
Trade and other payables	1,053,649	954,156
Tax payable	11,096	18,983
Current derivative financial instruments	3,997	2,869
Bank borrowings	773,960	711,091
Current lease liabilities	21,229	-
TOTAL CURRENT LIABILITIES	1,863,931	1,687,099
TOTAL LIABILITIES	2,460,736	2,262,479
TOTAL EQUITY AND LIABILITIES	3,925,073	3,658,798

Consolidated statement of cash flows

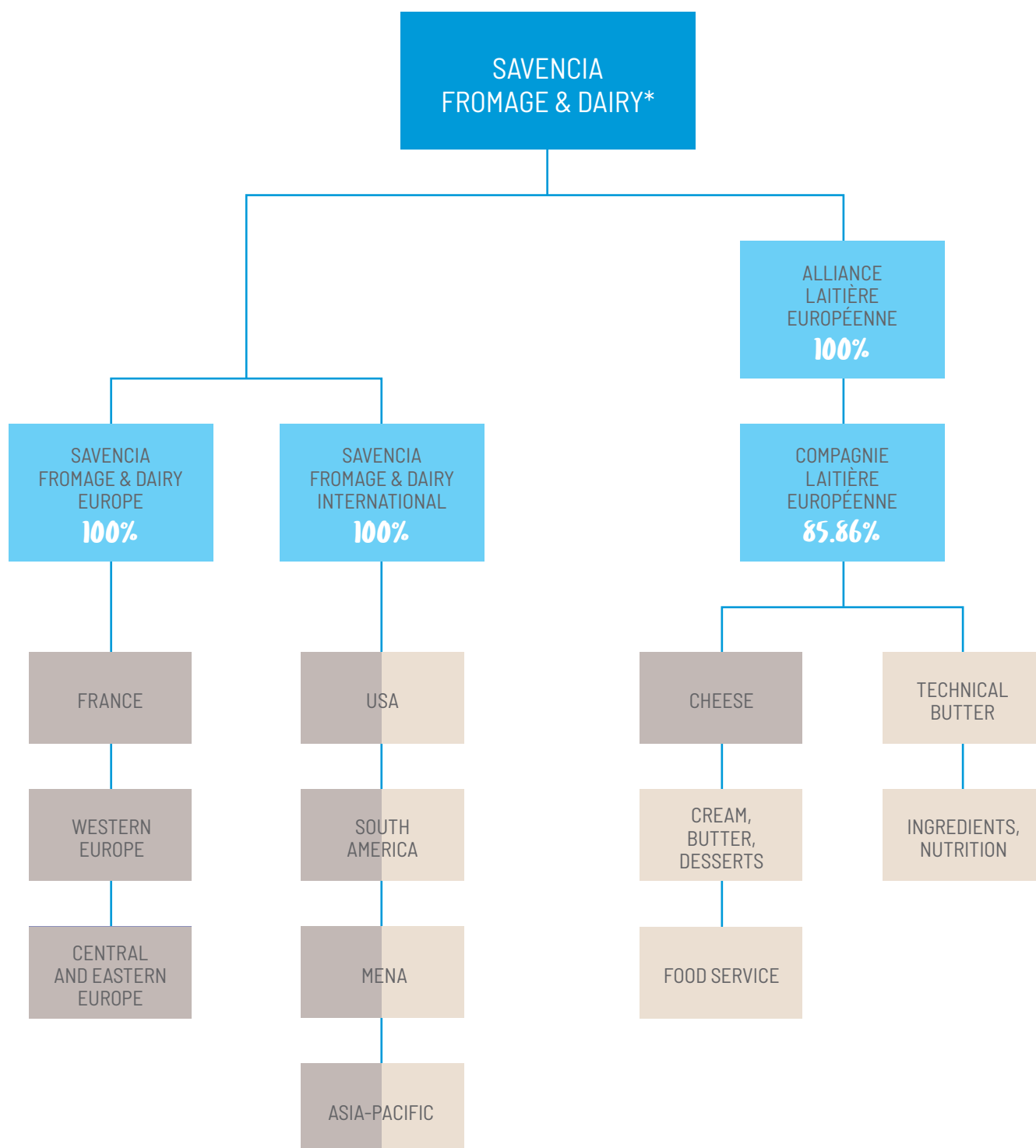
In thousands of euro	12 months	
	2019	2018
Net income from continuing operations	75,012	57,302
Income tax expense	45,617	28,428
Depreciation and amortization	166,438	132,743
Gains and losses on disposal of assets	1,014	3,702
Group share of results of associates	-2,032	-2,882
Net financial expense	13,715	11,411
Other non-cash income and expense ⁽¹⁾	21,187	64,239
Gross operating margin	320,951	294,943
Interest paid ⁽²⁾	-22,095	-20,350
Interest received	8,526	8,973
Income tax paid	-50,545	-42,705
Change in working capital	-6,908	-16,403
NET CASH FLOW FROM OPERATING ACTIVITIES	249,929	224,458
Acquisition of subsidiaries, operating units and non-controlling interests	-34,123	-34,778
Purchase of tangible and intangible non-current assets	-218,942	-195,935
Proceeds from disposal of assets	5,225	2,741
Acquisition/disposal of financial assets and changes in other current financial assets	-3,050	1,106
Dividends received (including dividends received from associates)	11	1,261
NET CASH USED IN INVESTING ACTIVITIES	-250,879	-225,605
Net cash-flow from financing activities		
Purchase and sale of treasury shares	-8,727	1,114
Proceeds of borrowings	108,332	230,146
Repayment of borrowings ⁽³⁾	-72,614	-215,259
Dividends paid	-16,225	-22,016
NET CASH FLOW FOR FINANCING ACTIVITIES	10,766	-6,015
Impact of foreign exchange differences	1,420	3,070
Net change in cash and cash equivalents	11,236	-4,092
Reclassification of cash and cash equivalents for discontinued operations or in process of sale	-	-7
OPENING CASH AND CASH EQUIVALENT	318,762	322,860
CLOSING CASH AND CASH EQUIVALENT	329,997	318,761

(1) Including the impact of provisions and impairment (+€12.2 million in 2019 compared with +€48 million in 2018) and of the adjustment for Argentina's hyperinflation (+€4.5 million in 2019 compared with +€14.6 million in 2018).

(2) Including €3.1 million in 2019 of interest paid in respect of lease obligations.

(3) Including €25.8 million in 2019 for the payment of lease obligations.

Simplified Group structure



■ Cheese products
■ Other dairy products

* SAvENCIA Fromage & Dairy is the trade name of SAvENCIA SA.

The United Nations Global Compact

As a signatory of the United Nations Global Compact, Savencia Fromage & Dairy is committed to upholding to its ten principles in the areas of Human Rights, labour, environment and anti-corruption.



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