



**SAVENCIA**  
FROMAGE & DAIRY



**2016 ANNUAL REPORT**  
ACTIVITY & SUSTAINABLE DEVELOPMENT



"All we do matters way beyond what can be seen or heard."  
Father Pierre Ceyrac

# THE TASTE FOR ENTREPRENEURING

In all the continents, we have always nurtured the taste for entreprenuring, aiming to satisfy the **diversity** of consumer tastes with cheeses, cream and butters that **differentiate** with their savors, **brands** and **quality**. Focused on cheese **specialties** and milk ingredients with **added value**, Savencia Fromage & Dairy is one of the world's leading milk processors, No. 2 for cheese in France and No. 4 worldwide. An independent **family** group listed with Euronext Paris.

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**No.1**  
WORLDWIDE FOR CHEESE SPECIALTIES

**4.1**  
BILLION LITERS OF MILK PROCESSED

**120**  
COUNTRIES COMMERCIALIZING OUR PRODUCTS

**19,307**  
EMPLOYEES IN 30 COUNTRIES

**4.4**  
BILLION EURO OF NET SALES



# MESSAGE FROM MANAGEMENT

“The strength of our brands, our international dynamism and our specialty product innovation are the engines of our growth.”

**The unstable environment of 2016** has been marked by several economic crises such as that from which Latin America, in particular Brazil and Argentina, is still suffering. The global dairy crisis has continued as a result of contraction of demand, aggravated by the Russian embargo. Excess milk production has resulted in a steep fall in world prices which has hit our ingredients businesses hard. The collapse in the price of commodity cheeses such as Gouda or cheddar has equally toughened the competitive environment for our own cheese businesses.

**The crisis has not spared France and French milk producers.** Within this difficult context, the Group has remained supportive of its producer partners. Over and above compliance with our contracts, we have provided our suppliers with support to help them through this particularly difficult period. In 2016, milk collected in France has thus become the most expensive for the major dairy countries of Europe and the French market's profitability is currently way below the Group's average. It is thanks to our results in foreign markets that we have been able to help our French milk producers, via the higher price for their milk, to traverse the crisis we have been experiencing over the past two years.

**France must not forget that the country exports almost half its national milk production.** For our part, the Group exports 58% of the milk it collects in France, whether in the form of retail products or ingredients. Confronted with very active European and global competition, the French dairy industry will not be able to avoid the structural reform necessary to provide the lasting competitiveness which is indispensable if it is to cope in the future with the inherent volatility of the markets.

**Within this volatile and demanding environment, our strategy of value creation based on the differentiation provided by our brands and our quality, innovation and competitiveness has generated profitable growth in particular internationally.** Our results are a tribute to the daily commitment of all our employees worldwide.

Our net sales for 2016 amount to €4.4 billion including organic growth of 2.2%. Current operating profit has risen by 23% sustained by our international activities, the development of brand volumes and our industrial performance. Our net income amounts to €104.5 million or 2.4% of net sales. Solid profitability is vital to our

long-term development, in particular internationally. The sustainability of milk production and processing is indispensable for us to meet the expectations of the thousands of milk producers who place their trust in us.

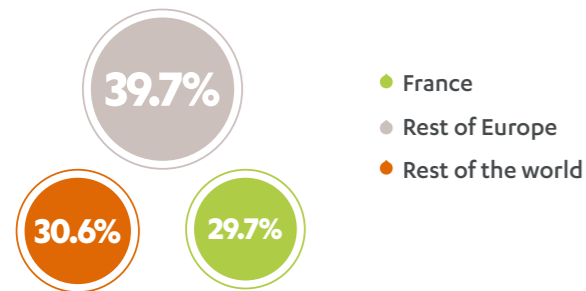
**2017 will be a new year of challenges.** We will have to cope with the volatility of the dairy industry in the main producing countries, with the uncertain evolution of numerous currencies and with slowing consumption in the emerging countries. We will also have to manage with renewed large increases in the world prices for dairy raw materials.

**Sharing our taste for entrepreneuring, the teams of Savencia Fromage & Dairy will remain committed to profitable growth** which more than ever will be conditioned by our strategic orientations: the product differentiation provided by our specialties, strong brands and the reinforcement of our competitiveness and of our international positions.

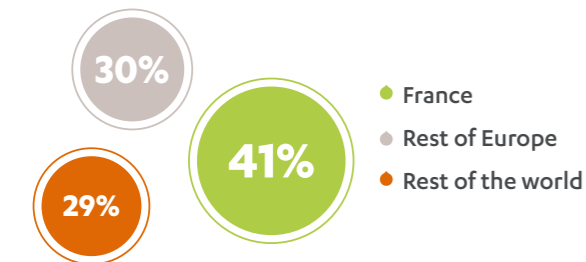
JEAN-PAUL TORRIS  
Chief Executive Officer

# ENTREPRENEURING, THE WORLD OVER, WITH PASSION

NET SALES  
**€4,418 MILLION**



EMPLOYEES  
**19,307**



## RETAIL

No.1 worldwide for cheese specialties, Savencia Fromage & Dairy offers a large variety of cheeses for all tastes and uses, as well as a broad range of high quality butters and cream. Our development is anchored in strong brands, specialty innovation and strong international presence.

## FOOD SERVICE

The market leader for cream and technical butters for food service professionals, our brands are references for chefs and pastry-cooks of the highest renown. We supply commercial caterers with aseptically packaged sauces and cheese in portions.

## INDUSTRY

A major player for dairy-based functional and nutritional ingredients, we provide food, infant formula and pharmaceutical manufacturers with tailored solutions.



# 60 YEARS OF BOLDNESS

for the world's first cheese specialty that created a worldwide group

# 3

BILLION CHEESES SOLD

SIMPLE AND NATURAL INGREDIENTS: 98% MILK, FRESH CREAM, A PINCH OF SALT, LACTIC FERMENTS, AND **THAT'S ALL!**

CLOSE TO

# 1.3

MILLION FANS ON FACEBOOK



APPRECIATED IN MORE THAN

# 120

COUNTRIES

AT LEAST 2/3 OF THE MILK USED COLLECTED LESS THAN

# 50 km

FROM THE PLANT

# 2

CAPRICE DES DIEUX BOUGHT EVERY SECOND

In 1956, Caprice des Dieux created a revolution in the universe of cheese with the originality of its name and blue box shaped like a "calisson" and its unique fresh taste and melt sensation. Originality that Caprice has cultivated with humor in its communication that has made of it a truly iconic brand!

# A DIVINE SAGA

Born under the sign of innovation, Ascendant delight, Caprice des Dieux quickly established itself with its unique and resolutely contemporary personality.



1956

Creation of Caprice des Dieux and invention of Specialty Cheese.



1962  
Caprice des Dieux sets out to conquer new markets: Belgium, Switzerland and even Canada.



1963

France's 1<sup>st</sup> hypermarket opens in Sainte-Geneviève-des-Bois. The self-service revolution starts with Caprice des Dieux on the cheese counter.



1964

Ambassadors of the love for cheese, the brand's two emblematic angels appear on the Caprice des Dieux box.

1968

"Light as the breeze, fresh as dew, creamy and smooth", Caprice des Dieux launches its first television advertising campaign.



1971

Innovative, Caprice des Dieux is the 1<sup>st</sup> brand to add a "best-before" date on the back of its boxes.



1973

A new 300g family format for the "gourmands" satisfaction.



1985

"On se fait un petit caprice?" The advertising saga is launched. Humor, sensuality and gourmet delight combine for a Caprice for two.



1988

"The smaller it is, the less you can resist": Mini Caprice can be taken everywhere and appreciated anytime.



2001

Divinely fresh under its protective dome, Caprice des Anges becomes the delight of fresh cheese lovers.



2009

Caprice des Dieux moves into snacking: En Cas de Caprice can be savored when and where you like thanks to its unique protective packaging.



2012

On the Caprice des Dieux Facebook page, malicious cherubs Ange and Anje multiply recipes, games and fantasies.



2016

Caprice des Dieux celebrates its 60<sup>th</sup> year anniversary with collector boxes created by 12 artist duos, 1,440 videos filmed by 150 YouTubers and a "Divine Fromagerie" to welcome all its fans.





# TASTE!

The world over, people want taste and want to eat better!

USA

## GENERATION FOODIES

More hedonist and in search of natural food, many Americans opt for products of quality, sound and savory. Foodies love to discover new products: 2/3 prefer natural taste and display growing interest for local products, animal wellbeing and the environment. 50% of the millennium generation thus attach importance to organic products compared with only 19% of baby boomers<sup>(5)</sup>. Distributors such as Whole Foods Market for top quality organic or Chipotle, combining fast food, ethical buying and fresh products, also contribute to the new trend in educating taste.

(5) Sources: Mintel - Hartmann USA.

ASIA

## ASIA IN LOVE WITH FRENCH PATISSERIE



Seen from Asia, France is above all a country of luxury, gastronomy, great chefs and the overall image of excellence anchored in history and local territories. French bakery and patisserie are objects of passion fed by the reputation of taste, quality and food safety of ingredients of French origin: butter for croissants and other puff pastry products, cream for éclairs, macarons, Saint-Honorés and other cakes. Our butters and cream began by subjugating the chefs of major hotels and restaurants but have now extended their domain to contributing to the success of French bakery-patisserie chains whose customers delight in new products, new textures and new sensations.

EUROPE

## THE TASTE FOR NATURALITY AND AUTHENTICITY



Europeans may want food to start by providing a moment of pleasure, but that's not enough. 70% of the French want simple products, 62% of Germans want natural products and 78% of the Spanish want healthy products. The desire to eat better influences consumer behavior throughout Europe. Consumers are attentive to the origin and composition of food products and value know-how anchored locally. 65% of Germans and Spaniards, and 62% of the French, prefer local and regional products. Consumers are more and more attracted to organic and natural products. The concept of sustainable consumption is gaining ground. More than 8 out of 10 French consumers purchase organic products and 5 out of 10 say they do so regularly<sup>(2)</sup>. More than a third of Germans and Italians refuse to buy products containing GMOs<sup>(3)</sup>. And more than 80% of the French and Spanish are concerned with the environment and animal wellbeing. Responsible consumption doesn't mean consuming less but consuming more natural and more local<sup>(4)</sup>.

Sources:

- (1) KANTAR TNS Food 360TM SIAL 2016.
- (2) Responsible consumption figures for 2016.
- (3) Mintel Trends 2016.
- (4) Greenflex/ADEME review (May 2016).

**58%**<sup>(1)</sup>  
OF CONSUMERS  
WORLDWIDE  
put taste quality at the top of  
their criteria for food product  
purchases



FAST GOOD

## CHEESE, WHAT BETTER FOR A SNACK?

Whether for a quick snack or a light meal, snacking is gaining ground worldwide. 52% of consumers surveyed snack for breakfast, 43% for lunch and 40% for dinner. Young people are massive snackers and use snacks for new forms of conviviality. In the USA, the millennium generation snacks twice as much as baby boomers. The trend? Snacks that are healthy, savory and... sustainable. 45% of consumers attach great importance to natural products free from GMOs and artificial colorings or aromas. 35% are very sensitive to sustainable production and equitable commerce, 34% to organic. Top quality and fresh products are thus eating up a growing share of a market developing by 2 to 9% per year depending on the region. Already present in sandwiches, salads, pizzas, burgers and other breaded products, cheese is in the



Top 3 most popular snacks in Europe and North and South America and in the Top 5 in Africa and the Middle East<sup>(6)</sup>.

(6) Nielsen snacking survey.

# SURPRISE, SURPRISE

New products for all tastes



## SNACKING



### SNACKING THRIVES!

Beads of fresh cheese with a heart of tomato, fig, sweet pepper or pesto with St Môret, portions of intense taste with Saint Albray, savory thin rolled slices with Fol Épi, creamy Brie cheese with an aroma of truffle with Alouette: snacking encourages all forms of experiences and stimulates the creativity of our brands.



### WE TOO WANT CHEESE!

The Milkana brand, adopted hugely by families in Germany where the brand is No.1 for processed cheese, takes many forms elsewhere. Milkana rolls out with the "Tolle Rolle" in Germany, becomes a savory stick in Egypt or Haiti, and is appreciated in China in little round shells. Always proposed in practical and playful packaging, these healthy and natural snacks are well suited to children's tastes and nutritional needs. Whatever the country, our products are appreciated by the youngest citizens: P'tit Louis in France, Pribináček in the Czech Republic, Biser in Serbia or Polenginho in Brazil.





## REGIONAL REINVENTED

Our products are proud of their origins and enhance the value of their regional terroir thanks to the know-how of our master cheese-makers. Take the case of *Bresse Bleu*, manufactured at the heart of the Bresse region using milk collected close to the cheese plant. The original blue cheese is distinguished by its rind, mild flavor and creamy texture. The new *Bresse Bleu Suprême* has met the challenge of associating an even creamier texture with intense taste and fruity savor, not easy to achieve with a small format. Its innovative packaging ensures optimal conservation. To reinforce our capacity for innovation within the blue cheese family, in 2016 we created a dedicated R&D center in *Auvergne*, at the same site at which we produce *Saint Agur*, the blue cheese market leader in France and Great Britain: in 2016, it won a gold medal at France's *Concours général agricole* and the Best French Cheese award at the Nantwich International Cheese Awards.



## LE RUSTIQUE, A NORMAN CHEESE WITH CHARACTER



"Milk collected from Norman farms": such is the message of the new pictogram decorating the cover of our *Le Rustique* camembert, the French market leader for authentic camembert and an international standard-bearer for traditional French cheeses. This Norman product with its pronounced taste is appreciated throughout Europe as well as in the USA. Responsive to the rhythm of the seasons, complementary products are *Le Rustique* made with spring milk and *Le Rustique* with *Périgord* black truffle at year end. This Norman product can also add pleasure to pleasure: following the *Spécial Affiné* ripened version launched in 2016, for the 2½ million lovers of "coulant" camembert, *Le Rustique* has announced a *Grand Caractère* longer-matured version for 2017.



## GOAT AND EWE CHEESES: CREATIVE TRADITION



Goat and ewe cheeses continue to seduce ever more consumers with their authenticity. Their variety is a formidable source of inspiration. *Saint-Loup* thus proposes a new goat cheese ashed log manufactured in *Saint-Loup-sur-Thouet* in the *Poitou* region of France. Further south, in the *Pyrenees*, our *Jurançon* plant in the *Béarn* region has created a ewe milk brick with a clear taste that melts in the mouth, *Le Brebiou des Pyrénées*. Travel a little further to our *Mauléon* plant in the *Basque* region and you'll discover its *Petit Etorki*, for the deli counter, which displays all the signs of its origin with its *Basque* cross and *chistera*. Its origin meaning in *Basque* *Etorki*.

## CARLSBOURG: THE FIRST EVER PDO LIQUID BUTTER

Carlsbourg signs *Ardenne* PDO (product of designated origin) products using the milk collected from 500 farms possessing that distinction. By offering *Belgian* consumers the first ever PDO liquid butter for searing, baking and roasting, Carlsbourg has placed innovation at the service of gastronomy. Its new liquid butter can be heated up to 220°C without losing its typical savor. Also in *Belgium*, *Balade* has given its *Choco* product a boost in 2016 with a new mix, *I Love Choco de Balade*, and new and more practical packaging.



## CHEESES FRESH AND NATURAL



*Tartare*, the market leader for flavored fresh cheeses, has placed wild herbs on the top of the podium with its new *Tartare Ail Sauvage* with its delicate perfume of garlic. For organic fresh cheese lovers, the answer is called *Carré Frais bio*. Created in 1872, this semi-salted fresh cheese remains unique: it is the only organic fresh cheese available at the self-service counter. Fresh organic also encompasses the range of top quality organic yogurts manufactured by *Söbbeke*, the market leader for ultra-fresh organic products in *Germany*, and sold in *France* under the *Byo essentiel* brand name.

A GREATER WELLBEING

PROFESSIONAL DEMANDS



PLEASURE & NUTRITION

Consumers pay ever more attention to the quality of a natural and balanced diet. We meet all their expectations, including those of senior citizens and young children. The products we formulate are naturally savory, without artificial preservatives or aromas, and we take care to ensure they remain just as savory in their low-fat or low-salt versions. So low-salt (25% less) St Môret, launched in 2016, has lost none of its taste of freshness. In Germany, the Czech Republic, Spain and Brazil, with Polenghi's new zero-lactose range, we also develop lactose-free cheeses. Babies allergic to cow's milk proteins are not forgotten. Our Modilac brand has developed a milk-free, lactose-free and gluten-free dessert, based on hydrolyzed rice proteins, available in vanilla or cocoa flavors. This product, unique in France and internationally, is sold in pharmacies.



DELICIOUS BREADED PRODUCTS

Designed for fast food applications, these breaded cheese morsels are distinguished by their variety of form and taste: natural or peppery camembert, Edam and ham, fresh cheese with garlic and herbs, or even vanilla flavored sweet pleasure. This new generation of delicious and unctuous breaded products has enjoyed rapid growth in 2016.



EXPERT SOLUTIONS

Armor Protéines offers food, dietary and pharmaceutical manufacturers a wide range of functional and nutritional dairy-based ingredients. Texturing proteins are designed to provide food with properties such as unctuousness or smoothness. Nutritional proteins are designed for inclusion in formulas for infant, sporting, clinical or seniors' nutrition. Mineral concentrates are designed to increase calcium or iron content, whilst still preserving savor. Our teams' technological expertise allows them to meet the most cutting-edge of requirements.

Let's share our vision of nutrition

Nutrition is a key-word for ARMOR PROTÉINES. Since years, we have developed a wide range of products dedicated to nutrition.

- Know-how of a worldwide French group, SAVENCIA
- Dairy ingredients specialties adapted to your requirement
- Expertise at your service to develop your nutrition innovations

That's what we want to share with you!

armor-proteines.com in

Meet us at: HIE - Stand D49

armor protéines  
Share more than milk

BURGO DE ARIAS: GREEN PACKAGING



In Spain, our Burgo de Arias fresh cheese brand has successfully launched a new recipe with new packaging and communication designed to underline all the care brought to its manufacture. Low-salt and lactose-free versions have recently enriched this leading queso fresco brand. Our teams' efforts to reduce the environmental impact of their production have resulted in the redesigned Burgo de Arias package using 17% less plastic and 14% less cardboard than before.

A SHARED TASTE FOR LIGHTNESS

Manufactured in Poland, this new 100% natural whipped cheese specialty, with its light airy texture, continues to seduce growing numbers of consumers. Distributed in numerous countries, it is signed Lucina in the Czech Republic, Delaco in Romania, St Môret in Belgium, Paturain in the Netherlands, Burgo de Arias in Spain and Camoscio d'Oro in Italy. And to vary the pleasures, the product is available in several versions: natural, light and flavored.



CORMAN EXPRESS: THE NEW STAR PRODUCT FOR ARTISANS



Corman, the inventor of the world's first sheet butter designed for the manufacture of puff pastry and croissants, has successfully launched Corman Express, ready for use straight from the fridge in 20 seconds, compared with 20 minutes for ordinary sheet butter, a precious gain of time for artisans. Other new butters in 2016: Corman GreenGold, a range of Irish butters manufactured from the milk of cows fed grass 300 days per year, and Carlsbourg PDO Ardenne gastronomic butter henceforth available for artisans. Another PDO product, Lescure's PDO Charentes-Poitou, is positioned as a resolutely premium the range product, for use by bakers and pastry chefs, which has achieved recognition for the richness of its territory and its unique quality both in France and abroad. Renowned pastry chefs have shared their expertise by providing recipes for original Viennese pastries in the brand's new *Signature* magazine.



# BUILDING

with our customers

## THE 3D MERCHANDISING EXPERIENCE



To develop sales and create value with our customers by making use of new digital technologies: such is the aim of our Category Management teams. They help us improve our expertise for cheese retailing in hypermarkets and supermarkets. One of the new

tools we use is Dassault Systèmes' *Perfect Shelf*® 3D merchandising system, an innovation which makes it possible to immerse yourself in virtual reality in a store or a specific department for the purpose of testing and optimizing new layouts, assessing merchandising options, testing packaging prototypes and more generally improving consumers' purchasing experience. The tool acts as a facilitator for partnership between all the parties concerned and as a project development accelerator.

## ONE UNIQUE SALES FORCE

Since May 2015 in France, a single sales force has the task of commercializing our five product categories – cheeses for cutting, self-service cheeses, butters, cream and infant milks – through the hypermarket and supermarket chains. With more than 130 area managers, Savencia Produits Laitiers France is France's No.2 sales force for dairy products. By pooling our resources, we can improve our relationship with each store, improve our service levels and engage in multi-category operations and promotions. Advantage Group's 2016 survey has put forward the quality of our retail commercial relationships. In 2016 our sales force also won an LSA Trophy for its sense of Commercial Organization.



## CATEGORY EXPERTISE THRIICE REWARDED

For self-service, our VisioModulaire cheese department design, adapted for use in modern city center local stores, won the 2016 ECR<sup>(1)</sup> bronze medal and an LSA 2016 Trophy for Category Management. In France, local stores currently account for 53% of cheese market growth in value<sup>(2)</sup>, but three consumers out of four regret the lack of choice. Our mobile shelving modules display more products for the same amount of shelf space, with greater clarity. We have also structured the product offering over three categories to provide a better response to the desire for variety: "Every Day", "What's New" for new uses and "Cheeses of Character". More than 400 stores have adopted this solution which can easily be adapted by each distributor.



For the deli counter, which accounts for 22% of the total market by value, we propose a more attractive and highlighted counter which meets consumers' desire for authenticity. The counter's open access facilitates purchasing so the cheese counter assistant can devote more time to counselling. The deli counter also becomes a focus for tastings. More than 700 hypermarkets and supermarkets have adopted our *Nouvelle Coupe* concept which has been rewarded by a 2016 Bronze Meter award from France's Institute of Merchandising.

2016 ECR TROPHIES



(1) The ECR Trophies (ECR for Efficient Consumer Response) recompense collaboration between manufacturers and distributors.  
(2) Nielsen Trends P8 2016.

## THE RENEWAL OF TRADITIONAL CHEESE AND DAIRY RETAILING



Both in France and internationally, the growing enthusiasm for traditional cheeses has favored the emergence of a new generation of cheese and cream stores. In France, our entities *Le Comptoir des Fromages* and *aufromagerderungis.com* offer broad product ranges for use by wholesalers and individual cheese and cream retailers.

In the USA, Fine Cheese Importer USA imports and distributes a selection of French brands including Ile de France and Saint André destined for Deli counters. In Chile, our Santa Rosa distribution subsidiary has created its own training school to improve knowledge of cheese. In many countries the *Guilde Internationale des Fromagers*, presided by renowned expert Roland Barthélemy, contributes to the prestige of events organized for the benefit of our customers.

EVER MORE DIGITAL



### A CAPRICE A MINUTE!

Imagine a digital operation involving a new video every minute for 24 hours: such was the challenge completed with success by Caprice des Dieux to celebrate its 60 years with 1,440 original videos for the millennium generation and its snacking aficionados. For them, En Cas de Caprice was the star of the day with its format so easy to eat at any moment of the day or night. 150 artists, YouTubers, Viners, directors and graphical designers interpreted *En Cas de Caprice* with 1,440 films to view on the #LaMinuteCaprice platform: 1,440 ways to speak about the product and consume it on all occasions. The brand equally invited 12 artist duos to reinvent its packaging via 60 limited editions, with an operation relayed via the Instagram account of Caprice des Dieux and the creation of a giant mosaic to pay tribute to the work and style of the artists. The campaign, centered on the Instagram feature and deployed with the help of the Marcel Agency, was rewarded by the 1<sup>st</sup> #InstaHits organized by CB News.

EVER MORE DIGITAL



### IT FEELS SO GOOD TO EAT WELL!

A new tone, new content and newly-found proximity for the website of reference for cheese lovers, [quiveutdufromage.com](http://quiveutdufromage.com) places cheese at the heart of balanced French diets and invites us to rediscover cheese in all its forms and from every point of view: territories and producers, variety of products, recipes, knowledge of cheese, cooking, nutrition and health. The website's navigation has been masterminded for mobile uses with sections for individual brands, tailored coupons and on the social networks, a blog and a cheeseletter for all who want an email with ideas and all the latest news on cheese.

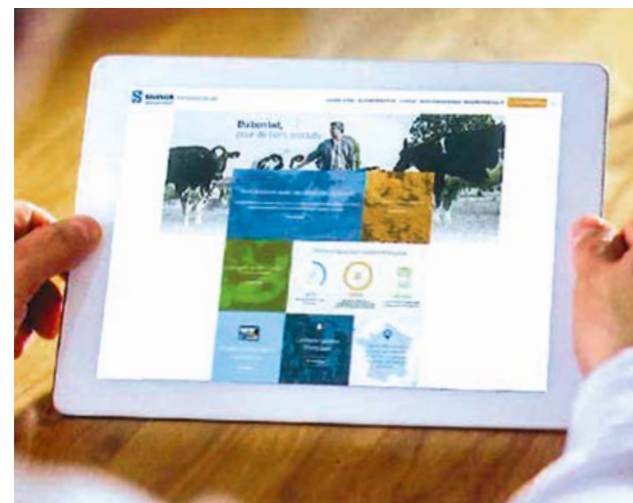
### “LE MEILLEUR PÂTISSIER” WITH ELLE & VIRE

The pastry chef excellence of Elle & Vire as close as can be to consumers! As partner for 2016 of the *Le Meilleur Pâtissier* television show, the Elle & Vire brand offered the opportunity every Wednesday to spend a delicious moment and tune in to passionate live tweets! The brand multiplied its communication via Twitter, in stores with all-winners quiz with the name of the show, and on its

Facebook page with an operation allowing you to win pastry chef lessons dispensed by one of the most famous hostesses and the star blogger of the show, recognized for her culinary expertise: Mercotte!



### FARMS IN THE FRONT LINE



The new [terroirs-de-lait.com](http://terroirs-de-lait.com) website provides the public with information on the dairy industry as a whole and allows milk producers to access their personal data via a dedicated section. The website proposes information on the dairy economy, technical advice for better farm management, and enables producers to monitor and manage their supply contracts. A secure section stores detailed data for each farm: invoices, quality analyses, volumes delivered and action plans. Navigation on the website has been optimized for all forms of device as more and more farmers use their smartphone or tablet to connect to the site and monitor their activity.



### A SOURCE OF INSPIRATION

[Ich-liebe-käse.de](http://Ich-liebe-käse.de), Germany's leading portal for cheese, has completely revamped its website and enriched its offering of both expert and playful content on the theme of the pleasures of cheese. On offer: recipes, inspirations, video tutorials, cheese-making traditions, a guide to wine and cheese and e-commerce. Online and off, the Group's major brands provide 360° vision of their singularity. Géramont, Germany's No.1 brand for cheese, is a good example with its ambitious campaign on the theme of picnicking including posters, local events, promotions, a blog and sharing of experience and recipes on the social networks.



### REVOLUTION FOR ABENDBROT WITH SAINT ALBRAY!

Amateurs of all countries, unite! Saint Albray has sent out a call for your most extravagant imagination to reinvent Abendbrot, the traditional German evening meal composed of bread, cold meats, cheese and crudités. Both on the web and

social networks, Saint Albray brings together a festival of new ideas, photos and videos for a new departure. Long live portions to quit routine!



# IMPRESSING

our customers the world over



“This was the perfect way to discover your products within a spacious and welcoming booth.”

**LUCIE BESNARD**  
PRESIDENT OF DÉPENDANCES DU MANOIR  
(CANADA)

A global rendez-vous for food industry innovation, the SIAL Paris international food exhibition was once again the opportunity for Savencia Fromage & Dairy to affirm its international food industry leadership. In October 2016, 7,000 exhibitors including 85% from other countries attracted 155,000 visitors, thousands of buyers and customers from all over the world. On the menu: innovations, trends, business and new markets.

The Group was present to welcome its customers and international prospects. Strategically located on 350m<sup>2</sup> at the heart of the Dairy Hall, the booth was immediately noticeable for its large screen broadcasting the TV commercials for the Group's emblematic brands. The booth's convivial, open and warm décor, in line with our new identity, was in tune with our approach to sustainable development and our passion for quality. Cheese, Butter & Cream, Ingredients: all three divisions were represented by their flagship brands in descriptive showcases. Nine of our products were distinguished by the SIAL Innovation jury, which selects the most innovative products proposed by exhibitors with the aim of decoding the upcoming trends of consumption.



“SIAL Paris was the opportunity for us to reinforce our commercial relationship with several of your Group's companies, all within a convivial and mouth-melting environment.”

**DANIEL CHIDIAC**  
MANAGING DIRECTOR OF GREENHOUSE,  
UNITED ARAB EMIRATES



**Savors, business & conviviality**  
A forum for discussion and business, SIAL Paris enables Savencia Fromage & Dairy to showcase the Group's excellence to its international customers. It also provides the chefs of Elle & Vire with the opportunity to sublimate the brand's products through their creative and delicious recipes.



“A very impressive booth highlighting all the Group's forms of know-how: elegant and very functional, we were able to welcome our customers in the best possible way.”

**BRICE VUILLET**  
ZONE MANAGER FOR ASIA,  
SAVENCIA FROMAGE & DAIRY OVERSEAS



# GLOBAL LOCAL

The alliance of global know-how and strong local brands



Close to the richness of their local cultures, our brands also take advantage of our international know-how, which makes for a winning recipe: associating the best of global and local! Attentive to consumers, our transversal research, development and marketing teams innovate constantly to respond to their desire to discover new textures, new savors and new concepts. Innovation designed to support the new trends in consumption, whether in terms of snacking in all its forms or of the authentic pleasure of local cheeses. Our cheese specialties grow in many countries, each under its own strong local brand. For example, our fresh whipped cheese, sold under the Naturek brand in Poland, has been successfully launched under the Lucina brand in the Czech Republic and under the Delaco brand in Romania.

## WITH APÉRIVRAIS, SNACKING TOURS THE WORLD

To offer consumers the opportunity to discover new savors by using one of our well trusted premium brands is the global-local alliance which allows us to deploy our innovations within new markets. The market leader for flavored fresh cheeses has many names: Tartare in France with its so fresh taste, Bresso in Germany with herbs from Provence and Paturain in the Netherlands. And, similarity, our cheese morsels, consumed as an aperitif or as a convivial snack, are called Apérivrais in France, Paturain in the Netherlands, Bresso in Germany, Appeteasers in the UK, AperiFresco in Italy and Tartare in Switzerland and Japan...





## FROM CONDÉ-SUR-VIRE TO SHANGHAI

In Normandy, between the Elle and Vire rivers, the cows are most of the time outside in the region's pastures, about 210 days per year, to take the best advantage of the generous green grass fed by rich soil and regular rain. Such is the secret of excellent milk and such is the basis of the enviable reputation acquired by the dairy products of Normandy and of Elle & Vire.

Originating from this exceptional territory, Elle & Vire's products are shipped every year from Condé-sur-Vire to the consumers and food service professionals of all the continents. They deliver the taste of France to more than 120 destinations in particular in Asia, the Middle East and Africa. For the first time in 2016, in aggregate these markets exceeded the French market.

What about in France even so? Elle & Vire is a heritage brand consumed in 7 households out of 10, and which celebrated its 70<sup>th</sup> anniversary in 2016. In retail, Elle & Vire is No.1 for cream and No.2 for butter. Excellence and innovation are the brand's strategic pillars. In 2016, Elle & Vire has comforted its leadership with a wide range of Normandy cream including whipping cream, semi-liquid or thick liquid cream, whole cream or low fat cream, suitable for all uses whether in patisserie or cooking.



### EXCELLENCE ON ALL THE CONTINENTS

Thanks to its dairy and aseptic conditioning know-how, Elle & Vire innovates with long-life dairy desserts that stand out for their gustatory and nutritional qualities and are exported worldwide. Take the example of the new Elle & Vire dessert, *Mon Grec à la française*, with its unctuous and creamy recipe, developed by Elle & Vire's *Maîtres Crémiers* with honey and raspberry for amateurs of real, or plain to appreciate all its freshness.



### NO DOUBT THE BEST OF BUTTERS

Proud of its Norman origins, Elle & Vire has renewed with tradition with its butter roll, manufactured at the company's Condé-sur-Vire dairy plant, whose accents of fresh cream won it, in 2016, the Gold Medal at France's *Concours Général Agricole*. The most recent innovation, butter enhanced with salt crystals, is a fitting addition to complement a product range appreciated by the most discriminating palates.



# ELLE & VIRE

Quintessentially Norman, resolutely International



My dream is to make our pastry chef skills available to all. And cream is the DNA of pâtisserie. You can't do much without cream. Personally, I've been using this cream for more than twenty years and I remain true to its quality. What do I most enjoy doing? Just whipping my cream, it's almost sensual..."



**CHRISTOPHE MICHALAK**  
 PASTRY CHEF  
 2005 WORLD PATISSERIE CHAMPION

More than 60% of starred chefs use Elle & Vire's Excellence cream, France's No.1 export cream.

## THE CHOICE OF TOP CHEFS

Elle & Vire is the brand of reference for the most prestigious chefs and pastry chefs. From whipping cream of unparalleled firmness to cooking cream with strong bonding properties, from extra dry to concentrated butter, from dessert preparations to the creamiest of cream cheeses, Elle & Vire supports chefs in all their creations with the offer of products of exception adapted to each of their uses. Their quality, performance and consistent of results qualify them as the best ingredients for success. Bocuse d'Or, the World Patisserie Championship, the Asian Pastry Cup, the French Dessert Championship... the most talented professionals rely on Elle & Vire when competing at the highest level. The same goes for the most prestigious cooking and pâtisserie schools worldwide.

ELLE & VIRE PROFESSIONNEL AND MAISON DE LA CRÈME® OFFER THEIR WIDE EXPERTISE TO CHEFS AND PASTRY CHEFS.



### WHEN MASCARPONE INSPIRES ELLE & VIRE...

What a combination for innovation, allying technical performance, gustative qualities and practicality! Following its *Sublime Crème au Mascarpone*, a perfect blend of Excellence cream and Mascarpone, offering incomparable firmness and unsurpassed unctuousity, Elle & Vire Professionnel has literally reinvented Mascarpone. Its UHT recipe preserves all the savor of fresh Mascarpone. Much easier to use, this revisited Mascarpone is also more practical to store and can be kept up to nine months before use. Tiramisu, creams and espumas: this Mascarpone is made for you.



### EXCELLENCE IN PASTRY LAYERING

Both technical and savory dimension, butter plays a leading role in fixing and balancing savors while providing flakiness, plasticity, fondant or smoothness depending on the preparation. Extra dry butter with 84% fat content is a technical butter for winter use, drier than a normal butter. Its extreme plasticity makes it possible to prepare flaky pastry alternating 729 fine layers of butter and 730 of pastry after only 6 folds, for a result that combines equally brittleness and lightness.

# PARTNERS

Progressing together  
to better food



As a signatory of the UN's Global Compact, the Group is committed to its ten fundamental principles in the areas of human rights, labor, the environment and anti-corruption, on which it reports each year in its Communication on Progress.



SAVENCIA Fromage & Dairy is one of the top 10 industry members of the leading Gaïa socially responsible enterprise index of mid-caps listed on the Paris Stock Exchange. Selection for the index is performed by the non-financial rating agency Ethifinance.



We encourage our employees' professional wellbeing and internal mobility and develop their potential. In 2016, we were once more distinguished with the award of Top Employer labels for Europe and France.

## COMMITTED TO TOMORROW WITH OUR STAKEHOLDERS

From management of our raw materials through to delivery of our finished products we are committed to sustainable improvement, all along our value chain, in conjunction with our stakeholders. Located at the heart of our milk collection zones, day after day we develop an approach of continuous improvement approach, focusing on sustainable milk production, environmental protection envisaged as an integral to our industrial strategy, and the professional and social wellbeing of our employees. We are equally committed to the long-term future of our enterprise, and the sharing our mission through community action in the areas of diet and health.

### RESPONSIBLE MILK SOURCING

Our objective:  
**-20%**

by 2020 for the carbon footprint of the dairy farms delivering to our sites in France.

Milk producers are the foremost partners in our policy of quality. We develop quality relationships through long-term contracts and engage in improvement initiatives aiming to build together a competitive and sustainable dairy industry.



### SUSTAINABLE USE OF RESOURCES

Reducing consumption of water and energy:

**96.5%**

of wastewater is treated prior to reentering the natural environment.

Our objectives: control our environmental impacts and water consumption, avoid waste and optimize our packaging for the leanest possible production.

### ENSURE SAFETY AT WORK

Our objective:  
**0 accident**

Our Charter for Health and Safety at Work reminds us that the wellbeing, continuing physical integrity and health of the men and women who work in our Group are mandatory concern for all of us, at all levels.



**VALENTIN GANCHE**  
MILK PRODUCER  
SCL MARIE DOMAINE

“Our productivity is fine and we take care of our animals because it’s good for the quality of the milk they produce. We look to improve our farm’s self-sufficiency in particular for grass and hay. Growing alfalfa grass helps us improve soil quality and the nutritive quality of our cows’ rations. We also grow protein-rich fodders such as Italian ray-grass, clover and dredge corn. We have succeeded in working less the land and limiting our use of phytosanitary treatments.”

**PRODUCING BETTER TOGETHER**

**STÉPHANE PIERRE  
AKA LEMARQUAND**  
DAIRY DRIVER  
SAVENCIA RESSOURCES LAITIÈRES

“I leave at 7.30am for my tour of about thirty farms. In our area, we collect milk from them every three days. Before each pumping, an automated sample is taken for analysis by our local community laboratory and feedback of the results to the producers. The farmers have done a lot to secure better access to their farms and facilitate our positioning. When improvements are needed, we work with the farmer and our milk collection technician. That’s much better for everyone.”



**CLAIRE LACROIX**  
SALES MANAGER  
GROUPE LACROIX<sup>(1)</sup>

“Fromageries des Chaumes asked us to redesign the Saint Albray box, which posed a real technological challenge. We could not have met that challenge without the longstanding relationship of confidence established between our groups. We had to rethink our machines to succeed in producing this complicated flower-shaped box within the allocated budget. Our teams’ perseverance and dedication to service were however up to meeting the challenge.”

(1) 1,200 employees in 11 countries, sales of €185 million.

**INNOVATING TOGETHER**

**CLAIRE COURDEAU**  
PURCHASING MANAGER FOR SAVORY SOFT  
RIPPENED AND EWE CHEESES, SAVENCIA  
FROMAGE & DAIRY

“The development of the new Saint Albray box, launched in May 2016 in France and Germany, kept an internal multidisciplinary working group busy for several years. We needed simultaneously to retain the box’s unique flower form, and it’s transparency to continue to highlight Saint Albray cheese’s characteristic orange color and reduce its cost. Lacroix is a historic partner: they played game with us and succeeded through innovation, in developing a new manufacturing process in the framework of a genuine co-design approach with our own teams.”





**JULIEN DENIS**  
OWNER/MEMBER  
INTERMARCHÉ COMBS-LA-VILLE

“Expertise and advice on merchandising, the right products in the right place at the right time, promotions supported by the brands’ significant media investment, TV sponsoring: it’s all that which creates a mutually successful relationship. Our displays are adapted to the seasons highlighting cheese on toast in winter, for snacking in the summer, for cream as Christmas and the New Year approach or for whipped cream preparations when strawberries are in season. All this allows customer satisfaction and builds loyalty.”

## SELLING BETTER TOGETHER

**GUILLAUME FORESTIER**  
AREA MANAGER  
SAVENCIA PRODUITS LAITIERS FRANCE

“Ever since the creation of a unique sales force for cheese, butter, cream and infant formula, we’ve developed a real relationship of confidence and proximity with our customers. With 130 area managers in France, each of us can visit our customers more often and thereby offer better service to the performance improvement of each dairy category. The wealth of our product portfolio also means we can offer large-scale events. We work as close partners to achieve maximum visibility and efficiency.”



**EUN JEONG LEE**  
CHEF, EJ BAKING STUDIO  
& BAKERY CAFE - SEOUL

“I was a student in Seoul when a trip to Montreal triggered my desire to get involved in patisserie. I enrolled with the Valrhona School in Tokyo and continued learning in Paris, London and Stockholm. In 2012, I opened Ej Baking Studio & Bakery Café in Seoul. It’s a tea shop and boutique, where customers can try cakes of European inspiration, as well as a training center. French patisserie is a boundless source of inspiration. What ingredients do I use most often? Elle & Vire’s All Uses and Extra Dry butters for their technical qualities and delicious fresh butter aroma.”

## SUCCESSING TOGETHER

**NICOLAS BOUSSIN**  
CHEF  
MEILLEUR OUVRIER DE FRANCE IN PATISSERIE  
ELLE & VIRE

“We travel the world to promote French patisserie and its ingredients. Technical advice, recipes, training, our magazine... Elle & Vire Professionnel keeps our traditions of transmission and sharing alive by providing comprehensive technical support. The brand offers its expertise to chefs welcoming them to France, at the *Maison de la Crème*, and supports them throughout their career. Our training and application laboratory helps chefs worldwide discover new sources of inspiration.”



# RESPONSIBLE DAIRY FARMS

## ALONGSIDE PRODUCERS FOR HIGH QUALITY MILK

More than 4 billion liters of cow's, goat's and ewe's milk are collected from 12,000 producers worldwide. We work together for the long term and strive to progress with regard to our environmental challenges. Our partnerships include the provision of advice and training to implement best farming practices, produce quality milk and improve farm operation and management.

Our milk resource advisors are close to producers in the field. They offer their expertise on subjects such as animal feed and care, the design of cowsheds, equipment maintenance, milk quality control and farm management more generally.



## COMBINING SAFETY AND ECOLOGY



### THE BEST PRACTICE GUIDE FOR MILK TRUCK DRIVERS

A tool for collecting milk safely and preserving milk quality.

Milk is collected from each farm between 120 and 180 times per year. A transport protocol is developed for each farm so that milk can be safely collected. The preparation of such a protocol is mandatory for all producers in France. Its aim is to enable our tankers to access farms' milk tanks and turn around (if necessary) without endangering persons, animals or equipment. Our drivers are trained in eco-driving and in best hygiene practices for milk collection.

## BUILDING THE MILK INDUSTRY OF THE FUTURE

France accounts for 75% of the Group's milk collection. In 2016, the teams charged with milk procurement were united under the Savencia Ressources Laitières banner and entity. As such, they are the preferred contacts for the Producer Organizations and Cooperatives which supply them with milk. The 15 Producer Organizations represent 2,700 producers located in the milk collection zones surrounding our dairy and cheese plants. Our contractual relationships include a Master Contract with each Producer Organization and application contracts with each individual producer. The latter set out requirements for quality, and the associated controls, and provide details for managing milk volumes and determining the milk price.

### Supporting young producers

We support new producers setting up by providing them with the allocation of a production volume, financial support of up to €7,500, a guaranteed margin for the first three years and ongoing training. In 2016, we implemented a support program for developing goat farming.



**PROFITABILITY**

A farm must be profitable to be sustainable. Six detailed indicators are measured.

**FINANCIAL INDEPENDENCE**

A sustainable farm needs financial independence to be able to adapt. It must limit its dependency on bank loans and on short-term or long-term subsidies.

**MANAGEMENT**

Management and piloting are important skills to be developed for a sustainable enterprise.

**THE PRODUCER'S QUALITY OF LIFE**

Working conditions must be satisfactory and ensure the safety of all persons working on the farm.

**ANIMAL WELLBEING**

To produce quality milk, a happy cow needs to be well fed, well looked after and respected in its natural behavior.

**BIODIVERSITY**

Vegetable and animal biodiversity is a precondition for the perennial renewal of agricultural systems. The richer a region's biodiversity, the more resistant and resilient its farming systems will be.

**SUSTAINABLE MANAGEMENT OF WATER RESOURCES**

Water is indispensable for dairy cows, which consume large quantities, and for pasture. It must be managed so as to preserve both its quantity and quality.

**SOIL FERTILITY**

Generous fertility ensures sustainable production of fodder. The soil needs to be covered and underpinned by roots so as to avoid erosion and drought and encourage natural mineralization.

**FOOD SELF-SUFFICIENCY FOR THE HERD**

The way the herd is fed largely conditions the proper functioning of the farm: its production costs, fodder system and level of self-sufficiency.

**CARBON FOOTSTEP**

Milk production generates greenhouse gases linked to the herd's digestion and effluents and to the fertilizers, fodders and energies used. In return, it stores carbon in fodder crops and pasture.



## SUSTAINABLE MILK PRODUCTION: A SHARED APPROACH

In parallel to the requirement for compliance with our Charter of Best Farming Practices, we assist volunteer producers in reducing their environmental footprint, enhancing their economic and social performance and improving their farm yields. We offer them a comprehensive diagnosis performed by independent experts and covering 10 themes. Focuses for improvement are identified and action plans proposed: producers are free to choose which ones they wish to implement. About 1,200 farms are committed to our approach of Sustainable Milk Production.

# COMMITTED TO THE ENVIRONMENT

## SAVE, REDUCE, TREAT

We work to limit our environmental footprint at each step of our activity, with four focuses:

- Make use of every drop of milk and reduce raw material wastage;
- Save water, reduce and treat wastewater;
- Save energy and reduce emissions;
- Optimize transport.

Goals are set for each site and reviewed annually. Potentials for innovation and best internal and external practices are identified and shared. Minimum yield is determined for boiler

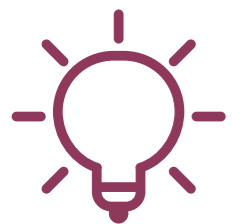
rooms and guidelines are defined for cooling facilities. We apply membrane technologies which help limit milk or whey losses, water and energy savings, and wastewater containment thereby limiting chemical oxygen demand for the effluents leaving our purifying stations.



## BRIGHT SAVINGS



Our Edelweiss subsidiary in Germany manufactures products under the Bresso, Milkana and Brunch brands. After halving its volume of waste over 15 years, by means of standardization and process control, the company has reduced its consumption of electricity for lighting by 40% by substituting LED tubes for neon lighting. Another positive development: the replacement of cleaning equipment using detergents by more environmentally respectful solutions. Edelweiss is both ISO 14001 and EMAS certified.



**10,000**

**KWH/YEAR** saved by Edelweiss by use of LEDs

## LIGHTER PACKAGING

Our subsidiaries have made significant efforts in eco-design to reduce their volume of packaging and therefore their impact on the environment. Such is for example the case of Bresso, which has saved 3.9 tons of plastic per year by modifying the product's lid, and of P'tit Louis, which has reduced the weight of its package by 80% by introducing a net containing 12 portions. As for Corman, the company has saved 21 tons of film per year by using thinner references, and has also made progress with cardboard. Two sites have saved 107 tons of cardboard by use of lighter packaging. And in 2016, the soft ripened and ewe's milk cheese division has saved 64 tons of packaging by means of a range of optimization measures.



# SAFETY IS OUR BUSINESS!

## EVERYONE MOBILIZED FOR OUR SAFETY AT WORK



We want to make sure safety at work is our collective concern and to accelerate our progress towards zero accidents by 2020 thanks to our collective commitment. Such is the will behind our new watchword "Safety is OUR business!" Our Charter for Health and Safety at Work, signed by our management and displayed at all our sites, provides a public declaration of our ambition. The charter was published for the 4<sup>th</sup> edition of our World Safety Week which focuses on our employees on best practices and provides a showplace for their initiatives and progress. 27 Group companies took part in the 2<sup>nd</sup> Safety Challenge organized in that framework. The 1<sup>st</sup> prize was won by our Polish subsidiary Turek for its mobilization on the theme of "We are all the heroes of safety". Amongst our champions of 2016, the Vihiers site in France has achieved 989 consecutive days without any accident and four of our five Spanish sites have celebrated a full year without any accident.

## ECO-RESPONSIBLE TRANSPORT

Our fleets are equipped with traction units meeting Europe's EEV<sup>(1)</sup> standard and our drivers are trained in eco-driving. Upstream, we use high capacity milk collection tanks and optimize our collection rounds. Our Fro' subsidiary has thus, over three years, reduced its distance covered by 30% thereby avoiding the emission of 600 tons of CO<sub>2</sub> per annum. Downstream, by grouping deliveries we improve truck filling and delivery frequency: more service, less emissions. Electronic monitoring of consumptions and maintenance plans contributes to both environmental and economic performance.



## SAYING "NO" TO WASTE

The Group has launched, with significant employee participation, an industrial performance improvement program focusing on fighting waste and improving the work environment. The aim is, at each stage of the manufacturing process, to eliminate all forms of loss, excess consumption, accidental line stoppage, painful postures etc. by devolving responsibility to our operatives who are encouraged to propose

solutions for improvement. Comforted by the results of the pilot testing performed in 2015, the approach is being deployed at all our sites. A training school has been created and numerous teams have been trained in the program and in the tools available for continuous improvement: 5S, problem-solving, Six Sigma, SMED, performance routines.

(1) Enhanced Environmentally friendly Vehicle.

# RICH WITH SO MANY SKILLS AND TALENTS

## THE IMPORTANCE OF PERSONALIZED ITINERARIES

With subsidiaries in thirty countries, Savencia Fromage & Dairy offers many opportunities for professional development. Our decentralized form of organization and the internal mobility encouraged between subsidiaries, activities and businesses enhance the value of cultural diversity, facilitate varied career paths and provide rapid access to positions generating

experience and demanding responsibility. Training allows each employee to maintain his or her employability, enriches skills and improves performance, thereby enabling each individual to contribute to the Group's success and develop professionally. All ages and all levels are concerned. We encourage and support participatory innovation. The quality of our management, human



relations and working environment contributes to keeping our Group as

one of the most attractive food industry employers.

# COMMITTED AND SOLIDARY

## ARIAS AND HANDICAPS: TEN YEARS' COMMITMENT

In Spain, our Arias subsidiary has conducted a deliberate policy of integration of handicapped persons for the past ten years. It has signed agreements with dedicated organizations and foundations and proposes training and jobs – 10 in 2016 – adapted to the capacities of each employee. Arias also purchases from organizations employing handicapped persons. The company's commitment has been

rewarded by several certifications and distinctions. In Brazil, Polenghi has boosted its efforts with 51 handicapped persons employed compared with 38 in 2015. In France, our policy of socially inclusive procurement has led to new contracts including one involving Messageries Laitières which has conferred the repair of 500 pallets per month to a local sheltered workshop.



## SETTING OUR SIGHTS ON MARKETING EXCELLENCE

Almost 400 of our employees have taken part in the Group's Marketing Excellence seminar. Developed in conjunction with ESCP Europe, it includes three programs adapted to the needs of our different businesses. The course, delivered in English in 8 countries, comprises more than 80 hours of teaching led by a dozen ESCP professors. It includes both conferences by experts and workshops.

## TRAINING, INTEGRATING AND DEVELOPING YOUNG PEOPLE

We develop close relationships with schools and conduct an active policy of apprenticeship and combined work/study programs at all levels,

from vocational and other high schools to engineering and business schools, offering in excess of 200 such positions each year. We offer young

persons leaving higher education a commercial and marketing graduate program involving three years' training within different subsidiaries and

countries. The program helps them develop their sense of responsibility as well as their technical and managerial skills.



## SOCIALLY INCLUSIVE VACATION

In 2016, Groupe Savencia signed an agreement enabling those French employees who so desire to perform an outreach mission during their annual vacation. Laurent, for example, joined a school for 400 children in Zambia and deployed an

accounting database. And Nathalie helped 12 children learn French in a Benin village with neither water nor electricity.

## BETTER FOOD FOR MANKIND

The Group's endowment fund encourages and supports employees committed to socially inclusive initiatives in France and worldwide. It supports the projects of associations echoing our vocation of "Leading the way to better food". Among the projects supported in 2016: our *Classes du goût* in France to help children adopt balanced and varied diets, an outreach grocery in Lyon, the construction of a well in Niger, training in the manufacture of cheese as a means of conserving milk in Madagascar and the creation of a fruit and vegetable garden at an orphanage in Vietnam.



# GOVERNANCE AND RESULTS

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## CORPORATE GOVERNANCE

### THE BOARD OF DIRECTORS

The Board of Directors is made up of twelve members. They are appointed for a one year renewable term. Six directors are independent on the basis of the criteria set by France's AFEP-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 authorizes them to take outside advice. Each of these committees meets several times a year and whenever its opinion is deemed necessary by the Chairman of the Board, the Board or by the Chairman of the committee.

### THE AUDIT AND RISKS COMMITTEE

This Committee is made up of at least three members of the Board of Directors and carries out its task in the fields of external statutory audit, internal control and the Group's half-yearly and annual financial statements and financial announcements. 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,  
Jean-Yves Priest, Martine Liautaud.

### THE COMMITTEE FOR MANAGEMENT, REMUNERATIONS AND SOCIAL AND ENVIRONMENTAL RESPONSIBILITY

It is made up of at least three members of the Board of Directors other than the Chairman. It assists the Board in respect of the organization and structures of the Group, the appointment and evolution of executive directors, the selection of new Board Members and compensation policy for executive directors. 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 management may be confronted.

### Members

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

### COMPOSITION OF THE BOARD OF DIRECTORS

**Alex Bongrain**  
Chairman

**Armand Bongrain**  
Director and member of the Committee for Management, Remunerations and Social and Environmental Responsibility

**Pascal Breton**  
Director

**Clare Chatfield**  
Independent Director

**Dominique Damon**  
Independent Director  
Chairman of the Committee for Management, Remunerations and Social and Environmental Responsibility

**Béatrice Giraud**  
Director  
Member of the Committee for Management, Remunerations and Social and Environmental Responsibility

**Martine Liautaud**  
Independent Director  
Member of the Audit and Risks Committee

**Ignacio Osborne**  
Independent Director  
Member of the Committee for Management, Remunerations and Social and Environmental Responsibility

**Jean-Yves Priest**  
Director  
Member of the Audit and Risks Committee

**Jean-Michel Strasser**  
Independent Director  
Chairman of the Audit and Risks Committee

**Thomas Swartele**  
Director

**Pascale Witz**  
Independent Director

# KEY FIGURES

## Net sales for 2016

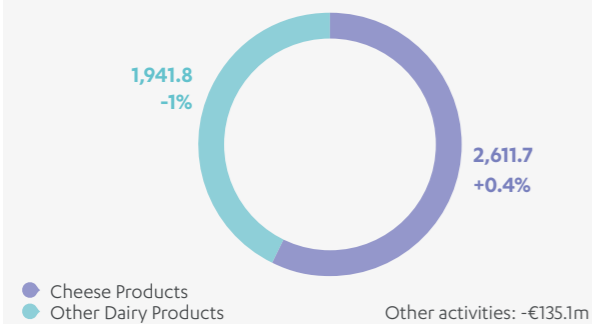
In millions of euro

|      |         |
|------|---------|
| 2016 | 4,418.4 |
| 2015 | 4,441.9 |
| 2014 | 4,606.9 |

Net sales fell slightly by 0.5% compared to 2015. Organic growth nevertheless amounted to +2.2% with particular support from markets outside France. Group structure had no impact. The foreign exchange impact at -2.7%, reflects essentially the weakening against the euro of the currencies of Latin America, of the yuan and of the pound sterling. 70.3% of net sales were achieved outside France.

## Net sales for 2016 and 2016-2015 variance

By business and in millions of euro



Cheese Products accounted for 59.1% of consolidated net sales, with organic growth of +1.5% and a foreign exchange impact of -1.1%.

Other Dairy Products accounted for 43.9% of consolidated net sales, with organic growth of +4.1% and a foreign exchange impact of -5%.

## Group share of net income

In millions of euro

|      |       |
|------|-------|
| 2016 | 104.5 |
| 2015 | 57.0  |
| 2014 | 39.7  |

The Group's share of net income rose by 83.3%. Non-recurring expenses decreased by €27.1 million whilst net borrowing costs increased by €1.7 million. The Group's share of results of associates fell by €2.2 million and its corporate income tax rose by €8.5 million.

## Current operating profit

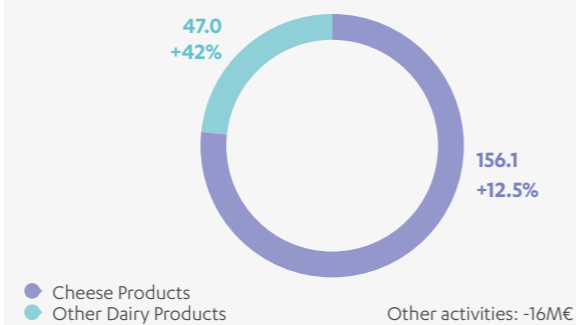
In millions of euro and operating margin as a % of net sales

|      |            |
|------|------------|
| 2016 | 187.1/4.2% |
| 2015 | 151.9/3.4% |
| 2014 | 110.0/2.4% |

Current operating profit rose by 23.2% as a result essentially of the favorable development of the Group's strategic brands, the reinforcement of our international positions and our efforts for industrial productivity.

## Current operating profit for 2016 and 2016-2015 variance

By business and in millions of euro



Current operating profit for Cheese Products gained 12.5%. Current operating margin rose from 5.3% to 6%, mainly as a result of the improvement of our product portfolio and the reinforcement of the Group's international activities.

Current operating profit for Other Dairy Products rose by 42% essentially reflecting international development. The current operating margin rate rose from 1.7% to 2.4%.

## Net debt/equity

In percent

|      |       |
|------|-------|
| 2016 | 25.0% |
| 2015 | 30.6% |
| 2014 | 38.4% |

Investment in tangible and intangible assets amounted to €180.3 million, up by 14.3%. There were no acquisitions in 2016 (compared to €55.9 million in 2015).

Net borrowings fell by €48.4 million to €340.1 million. Equity increased by €90.8 million over 2015.

## Employees

Average total employees including temporary staff

|      |        |
|------|--------|
| 2016 | 19,307 |
| 2015 | 18,911 |
| 2014 | 19,246 |

Average workforce rose by 2.1%. Half our employees have more than ten years' past service, and more than a quarter more than twenty, thus bearing witness to their attachment to the Group.

## Training

In hours

|      |         |
|------|---------|
| 2016 | 225,383 |
| 2015 | 208,561 |
| 2014 | 216,541 |

64.0% of employees attended at least one training course. Training leading to a diploma is encouraged.

## Safety

Number of accidents requiring time off work per million hours worked

|      |      |
|------|------|
| 2016 | 8.6  |
| 2015 | 9.1  |
| 2014 | 11.0 |

The Group's accident frequency rate fell by 5.5%. The severity rate remained stable in comparison with 2015.

## Water consumption

(Like-for-like/all sites) in millions of cubic meters

|      |      |
|------|------|
| 2016 | 15.8 |
| 2015 | 16.0 |

Water consumption per ton of production fell by 2.1% like-for-like. 96.5% of wastewater is treated before release into the natural environment.

## Energy consumption

(Like-for-like/production sites) in GJ/ton produced

|      |     |
|------|-----|
| 2016 | 6.7 |
| 2015 | 6.5 |

Like-for-like, direct energy consumption per ton of production fell by 2.0% over 2015.

## Non-dangerous industrial waste

(Like-for-like/production sites) in thousands of tons

|      |      |
|------|------|
| 2016 | 48.2 |
| 2015 | 47.0 |

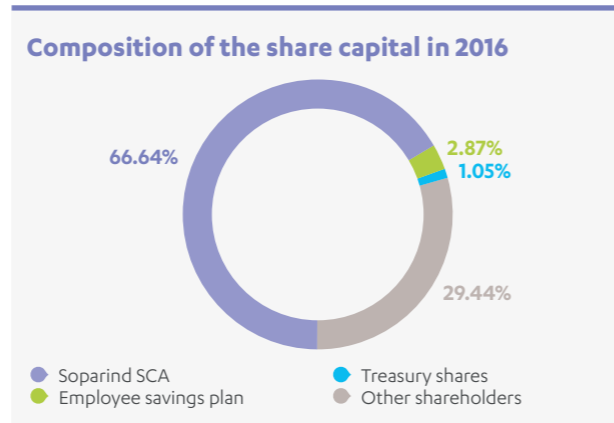
Non-dangerous industrial waste tonnage at our production sites, which account for almost all waste produced, increased by 2.6% like-for-like.

\* The key figures for 2014 have been restated for reasons of consistency to reflect the application of IFRIC 21, Levies.

# STOCK MARKET ACTIVITY IN 2016

- Euronext Paris – Eurolist Compartment B
- ISIN code FR0000120107
- Par value: €1
- Number of shares: 14,032,930
- Market capitalization at 12.31.2015: €838.19 million
- Euronext closing market price on 12.31.2016: €66.90
- Market capitalization at 12.31.2016: €938.80 million

SAVENCIA Fromage & Dairy is a member of the leading Gaïa socially responsible enterprise index of mid-caps listed on the Paris Stock Exchange. Selection for the index is performed by the non-financial rating agency Ethifinance.



## Data per share

| In euro                     | 2016  | 2015  | 2014  | 2013  | 2012  |
|-----------------------------|-------|-------|-------|-------|-------|
| Equity                      | 97.04 | 90.57 | 86.92 | 85.89 | 78.20 |
| Net income                  | 7.48  | 4.07  | 2.79  | 3.49  | 4.49  |
| Net dividend <sup>(1)</sup> | 1.6   | 1     | 0.8   | 1     | 1.3   |
| Global yield <sup>(2)</sup> | 2.39% | 1.67% | 1.54% | 1.78% | 2.84% |

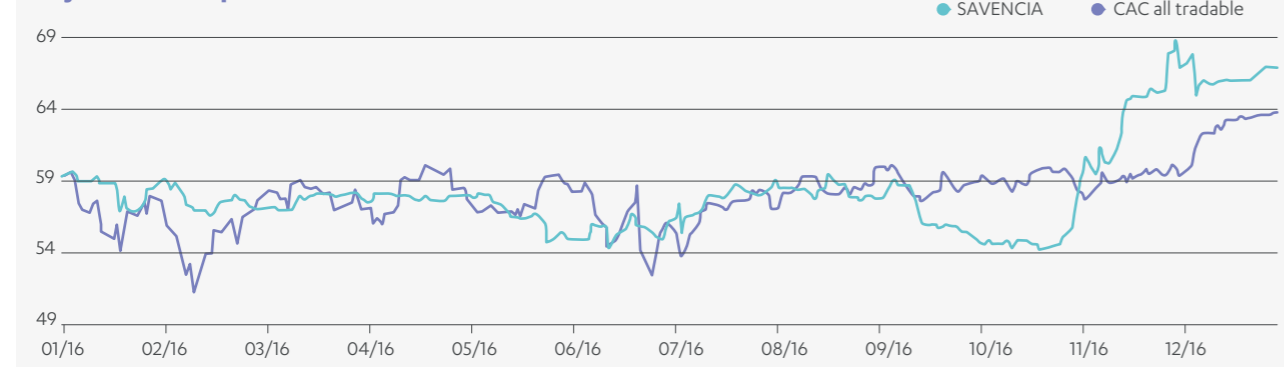
(1) Proposed at the AGM held on April 27, 2017.

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

## Stock market data per share

| In euro   | 2016   | 2015   | 2014   | 2013   | 2012   |
|---|--------|--------|--------|--------|--------|
| Highest adjusted price  | 68.8   | 64.8   | 65     | 58.3   | 53.5   |
| Lowest adjusted price   | 54.35  | 49.5   | 51.3   | 45.8   | 42     |
| Price at December 31  | 66.9   | 59.7   | 51.9   | 56.3   | 45.8   |
| Market capitalization at December 31 <i>in millions of euro</i> | 938.80 | 838.19 | 728.73 | 790.05 | 706.80 |

## Adjusted share price in 2016



## Shareholders' agenda

|                        |                |
|------------------------|----------------|
| Annual general meeting | April 27, 2017 |
| Dividend payment       | May 16, 2017   |

## Financial information

|                                   |                |
|-----------------------------------|----------------|
| Annual net sales for 2016         | February 2017  |
| Annual results for 2016           | March 2017     |
| 1 <sup>st</sup> quarter net sales | April 2017     |
| Half-yearly results               | September 2017 |
| 3 <sup>rd</sup> quarter net sales | October 2017   |
| Annual results                    | March 2018     |

# MANAGEMENT REPORT

The net sales trend of SAVENCIA Fromage & Dairy (the trade name of SAVENCIA SA) has been impacted, during 2016, by a fall in selling prices imputable to the fall in the price for milk and in the world prices for industrial products. But the favorable trend in current operating profit demonstrates the resistance of the Group founded in the strength of its major brands, its international development and its continuing efforts of competitiveness.

## THE ECONOMIC ENVIRONMENT

The reduction in world milk production observed since May 2016 and the increase in world demand, in particular for butter and whey, have produced a rise in the world prices for industrial products which had been falling since 2014. In this context and despite the rising price for milk, the price for skim milk powder has remained low given the significant level of private and public inventories. With the exception of a small number of countries, the European market for dairy products remains slack and the ongoing price war between distributors continues to have strong impact on selling prices. Internationally, the Group's subsidiaries in Latin America are faced with highly inflationary economies resulting in lower levels of consumption and impacting of their competitiveness.

The UK's intention of exiting the European Union should not have much impact on the Group's operating activities. The same is true of the current Middle East conflicts given the reduced presence of SAVENCIA Fromage & Dairy in the region.

Within this context SAVENCIA SA, hereafter denominated SAVENCIA Fromage & Dairy, has demonstrated its capacity of resistance by pursuing its international development and deriving benefit from the buoyancy of volume of most of its major brands supported by appropriate advertising, promotion and marketing.

## ACCOUNTING STANDARDS

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

The Group has applied the new amendments to and interpretations of standards applicable with effect from January 1, 2016.

## CONSOLIDATION SCOPE

During 2016 (on June 15), the Group divested its minority interest (accounted for under the equity method) in Lacto Serum France SA.

During 2015, the Group divested its minority interests (accounted for using the equity method) in Capsa (Spain) on May 28 and Andechser Molkerei Scheitz Gmbh (Germany) on October 1. On December 31, the Group acquired the residual minority interest in the share capital of Advanced Foods Products LLC in the USA, by exercise of its purchase option. The company is thus now a 100% subsidiary.

## ACTIVITY AND RESULTS

The geographical dispersion of the Group's markets, and the diversity of its businesses, enable SAVENCIA Fromage & Dairy to absorb the impact of the temporary shocks liable to affect levels of consumption or the various components of its production costs. Indeed, consumer demand does not evolve in the same way in mature markets and in developing zones. Consumer demand is also responsive to type of retail product and to retail the intensity of commercial actions undertaken. Changes in world prices for industrial products do not generally affect Cheese Products and Other Dairy Products at the same time, with the same amplitude and in the same direction. The Group's capacity to pass on increases in its costs is also conditioned by the strength of its brands and the often innovative nature of our consumer product offerings.

Other developments in respect of the risks to which the Group is exposed are included in the section of the annual report devoted to internal control and risk management (page 64).

2016 may be characterized by two different periods:

- An initial period during which the price of milk and world prices for industrial products remained very low under the influence of rising world production of milk;
- A subsequent period during which some rebalancing took place under the influence of a slowdown in world production of milk and growth in consumption.

SAVENCIA Fromage & Dairy's consolidated net sales for 2016 amounted to **€4,418.4 million**, compared with **€4,441.9 million** for 2015, a fall of **0.5%**.

Like-for-like for Group structure<sup>(1)</sup> and foreign exchange rates<sup>(2)</sup>, net sales grew by 2.2%. The sales trend was penalized by the very unfavorable -2.7% foreign exchange impact reflecting the weakening against the euro of the currencies of Latin America, of the yuan and of the pound sterling.

(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 69.5% of total sales in 2015 to 70.3% in 2016.

**Current operating profit rose by 23.2% to €187.1 million.** Current operating margin amounted to 4.2% of net sales, compared to 3.4% in 2015, reflecting:

- Improved volume mix in certain activities and volume resistance on the part of our strategic brands;
- Excellent international performance reflecting positive price and volume factors;
- The pursuit of initiatives for rationalization.

These favorable impacts were however affected by:

- The weakness of world prices for industrial products for most of the year, affecting in particular our selling prices for milk ingredients;
- The impact of the fall in the price of milk and the continuous pressure on retail prices in particular in France and all over Europe more generally;
- A difficult economic environment in certain zones and in particular in South America.

#### Cheese Products:

**Cheese Product net sales** rose by 0.4% compared with 2015, to **€2,611.7 million** or 59.1% of SAVENCIA Fromage & Dairy's total consolidated net sales. It amounted to 58.6% in 2015.

The change reflects favorable volume and mix, with the development of our international activities essentially outside Europe, partially offset by a generalized unfavorable price effect, related to the fall in the price for milk in Europe, and by continuing pressure on retail prices.

The change in net sales breaks down as to:

- Organic growth<sup>(3)</sup> of +1.5%; and
- A -1.1% unfavorable foreign exchange impact mainly reflecting the weakening of the currencies of Latin America, of the yuan and of the pound sterling.

**In France**, net sales fell as the result of a significant pricing impact only partially offset by the volume resistance of our strategic brands.

Elsewhere in **Europe**, net sales were also down as a result of negative pricing in most of our markets. Volume was modestly positive overall but variable depending on the country. Certain countries, faced with severe economic difficulties, have suffered falls in consumption. And even the undoubted impetus of our strategic brands has not sufficed to avoid any impact at all on selling prices.

**Internationally**, net sales have been penalized by foreign exchange, but organic growth has been particularly buoyant in the USA and Asia with both positive volume and mix factors. In South America, the economic crisis seen in Brazil in particular has continued to impact consumption and therefore depleted the Group's volumes within a context of inflation.

**Current operating profit amounted to €156.1 million**, €17.3 million more than in 2015 (+12.8% of organic growth), with current operating margin which rose from 5.3% to 6%, notably reflecting improvement in our product portfolio and reinforced international activity.

#### Other Dairy Products:

**Other Dairy Product net sales** fell by 1% compared with 2015, to **€1,941.8 million** or 43.9% of SAVENCIA Fromage & Dairy's total consolidated net sales (44.2% in 2015).

The change in net sales breaks down as to:

- Organic growth of +4.1%. International growth has compensated for the fall in the French market which for most of the year (however attenuated during the 4th quarter) suffered from the weakness in world prices for industrial products; and
- An unfavorable foreign exchange impact of -5% mainly reflecting the deprecation against the euro of the Argentine peso and Chinese yuan.
- There was no change in Group structure for Other Dairy Products.

**Current operating profit for Other Dairy Products rose to €47 million**, compared with €33.1 million in 2015, with organic growth of 42.5%. Current operating margin rose from 1.7% to 2.4%. The progression was concentrated on the Group's international operations. Current operating profit for Ingredients fell despite the increased prices for industrial products towards the end of the year.

#### Unallocated items:

**Unallocated items depleted current operating profit** by -€16 million compared with -€20 million 2015. They mainly comprised holding company costs.

**Non-recurring items** amounted to **-€6.1 million** compared with **-€33.2 million** in 2015. They mainly comprised impairment losses for certain assets in Brazil, a country traversing a difficult political and economic situation, as well as restructuring costs and provisions for the Group's ongoing performance improvement plans, partially offset by insurance proceeds for losses and by the liquidation of a US pension plan.

**Operating profit** amounted to **€181 million**, up 52.6% over 2015.

**Net financial expense** amounted to **€28.1 million**, compared with €26.4 million in 2015, with an unfavorable foreign exchange impact partially offset by the impact of lower interest rates and net debt.

**The Group's share of results of associates**, net of taxation, amounted to **€6.7 million** compared with €8.9 million in 2015.

**Corporate income tax** amounted to **€47.7 million**, up €8.5 million over 2015 and reflecting an effective tax rate of 29.9% compared with 38.7% in 2015. The change essentially translates a fall in non-tax deductible expenditure in 2016 and a reduced deferred tax charge as a result of the fall announced in the rate of French corporate income tax.

**Net income for continuing operations** amounted to **€111.9 million** compared with €62.1 million in 2015.

**There was no net income from operations discontinued, sold or in process of sale.**

SAVENCIA Fromage & Dairy's **consolidated net income for the year** attributable to equity holders of the parent company amounted to **€104.5 million**, compared with **€57 million** in 2015.

#### EMPLOYEES

The Group **employed on average** (including temporary staff, and at fully consolidated entities) **19,307 employees in 2016** compared with **18,911 in 2015**, a rise of 2.1%. There was no impact of change in Group structure. Their deployment by business segment was as follows:

- Cheese Products: 71.5%;
- Other Dairy Products: 24.8%; and
- Unallocated employees: 3.7%.

#### CAPITAL EXPENDITURE

The Group's investment in **tangible and intangible fixed assets** rose by 14.3% in 2016, to **€180.3 million** compared with **€157.7 million** in 2015. Its deployment by business segment was as follows:

- Cheese Products: 57.5%;
- Other Dairy Products: 38.3%; and
- Unallocated investment: 4.2%.

Acquisitions of subsidiaries amounted to €nil in 2016 compared with €55.9 million in 2015.

#### RESEARCH AND DEVELOPMENT

SAVENCIA Fromage & Dairy has always considered research and development expenditure as key to innovation and thereby to growth of its businesses. Consistent with our business culture and operating principles, development activities are organized into technological divisions 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 classified by nature and charged to profit or loss as incurred.

#### FINANCIAL POSITION

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

**Equity** rose by €90.8 million, or 7.1%, compared with 2015, to **€1,361.7 million**.

**Net borrowings** fell by €48.4 million to **€340 million** and represent **25% of equity** compared to 30.6% as of December 31, 2015.

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 commercial markets. Interest rate risks are limited by a policy of prudent hedging.

#### EVENTS AFTER THE YEAR-END

No material event has occurred since the year-end.

#### OUTLOOK

The uncertainties with regard to foreign currency volatility and the world dairy economy, and the destructive price war between distributors, will continue to have strong impact in 2017. World consumption will also continue to be affected by the slowdown in economic activity of the emerging countries.

Within this context SAVENCIA Fromage & Dairy, confident in its long-term strategy and in the work of its teams, will pursue its efforts of adaptation and competitiveness. The development of specialty products and of international operations will remain the engines of its growth.

The continuous constructive and transparent dialogue engaged in with the Group's partners – shareholders, milk producers, distributors and industrial customers – will remain critical to meeting the challenges of the world of tomorrow.

<sup>(3)</sup> 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.

# SOCIAL AND ENVIRONMENTAL INFORMATION

SAVENCIA Fromage & Dairy is committed to a policy of excellence and continuing progress, taking into account the point of view of all stakeholders: employees, consumers, producers, shareholders, customers, partners and community, and to respecting the environment. Its strategy is consistent with sustainable development defined as “development that meets the needs of the present without compromising the ability of future generations to meet their own needs” (the Brundtland report).

As a signatory to the UN’s Global Compact since 2003, SAVENCIA Fromage & Dairy undertakes to comply with its ten fundamental principles in the areas of human rights, labor, the environment and anti-corruption.

## METHODOLOGICAL NOTE

### CONTEXT AND CHOICE OF INDICATORS

The indicators for Corporate Social Responsibility (CSR) defined for the Group’s activities are designed to provide a transparent view of the Group’s non-financial performance.

Our approach to CSR reporting also meets the requirements of the implementing decree for article 225 of France’s so-called Grenelle II law dated July 10, 2010 codified as articles L.225-102-1 and R.225-104 to R.225.105-2 of the French code of commercial law.

The approach to CSR reporting is now an integral part of our subsidiaries’ operating processes.

### ORGANIZATION OF THE REPORTING PROCESS

The collection of social and environmental indicators is organized by the Group’s operating departments, according to their respective scopes of action, relayed by local experts who provide the raw data required.

The Group’s finance department is the main interlocutor for our external auditors.

### SCOPE

The scope of our social and environmental reporting covers 100% of the activities and employees of the Group and its controlled subsidiaries as defined by article L.233-3 of the French code of commercial law.

The short-term employees engaged as promoters in one of our subsidiaries are not included in the social data hereafter. They represent less than 0.5% of the Group’s total average equivalent full-time employees.

The changes compared to 2015 have been calculated on a like-for-like basis, i.e. reflecting the data for those subsidiaries which were present in both years.

### REPORTING PROCEDURES AND GUIDELINES

Two sets of reporting guidelines have been prepared, respectively addressing the Group’s indicators for environmental and social performance.

The documents serve as a reference for the independent review of the data collected, as provided for by the imple-

menting decree for article L.225-102-1 of the French code of commercial law derived from the Grenelle II law.

### REPORTING SYSTEMS

Data is reported and consolidated via the Group’s financial consolidation system which is used Group-wide.

An annual questionnaire is addressed to all applicable manufacturing, supply chain and sales subsidiaries worldwide as a means of collecting the information required.

### CONSOLIDATION AND INTERNAL CONTROL

At Group level, the persons responsible for social and environmental reporting exploit the data collected in order to generate the consolidated Group indicators present in this chapter.

They equally have responsibility for the associated internal control by assessing the coherency and consistency of the indicators produced (by analysis and explanation of changes from one year to the next, the calculation of ratios designed to compare the performance of different entities etc.).

Major variances noted are specifically analyzed in conjunction with the applicable data-providers.

### INDEPENDENT VERIFICATION

Since 2002, the reporting process has been subject to verification by the Group’s statutory auditors.

Since 2013, the whole range of the Group’s social, environmental and societal indicators has been subject to review by one of the Group’s statutory auditors designated as an independent third party as defined in the framework of the Grenelle II law.

## ENVIRONMENTAL REPORT

### GENERAL POLICY AND ENVIRONMENTAL ISSUES

Environmental protection is a natural part of the industrial policy of the Group whose production units are generally located at the heart of their milk collection zones. It is integrated within a strategy of progress associating all the parties concerned and in particular the Group’s milk producers.

The Group is attached to minimizing its environmental footprint commencing with the management of its agricultural raw materials and extending to the delivery of its finished products. All the Group’s subsidiaries are required to respect the same commitments.

The Group’s approach is first based on the establishment of structured relationships with milk producers and the application of a protocol detailing best livestock husbandry practices, promoting reasoned farming practices designed to reduce farms’ carbon footprints and other environmental impacts, and improving the efficiency of milk collection.

As a manufacturer, the Group is committed to controlling the impact of all its operations on the environment. The main issues center on preventing pollution; reducing water, energy and packaging consumption; and making optimal use of raw materials.

Standardization of processes and operating methods, generalization of the most efficient equipment and the identification and dissemination of best practices all help reduce consumption, emissions and waste.

The concentration of wastewater rejects, the quality of their treatment, and atmospheric emissions and the treatment of waste are all rigorously controlled and managed.

A system for assessing safety and regulatory compliance at production sites helps operating units implement appropriate prevention and protection policies. The approach involves the use of ratings reflecting the quality of risk management. Since the institution of this system, the frequency of occurrence of losses has been significantly reduced.

As in previous years, the Group has recognized no provisions and provided no guarantees in respect of environmental risks.

### ENVIRONMENTAL MANAGEMENT

#### Organization

A manager is responsible for the operational deployment of environmental protection measures at every subsidiary. At subsidiaries with several production sites, the manager is generally in charge of Hygiene, Quality, Safety and the Environment (HQSE).

At head office, the Group’s industrial department supports subsidiaries in the operational implementation of environmental protection measures, supervises their improvement plans, promotes sharing of best practices and monitors changes in their environmental indicators.

A Group-level Safety & Environmental function is charged with supporting and assisting in this approach.

In 2016, meetings bringing together the environmental managers of the Group’s French sites were organized on the

subject of water, energy, waste and atmospheric emissions as a means of pooling experience and sharing best practices.

### Standards and certification

SAVENCIA Fromage & Dairy uses the ISO framework in managing its operations at subsidiaries, relying in particular on ISO 22000 and placing the accent on the issues at the heart of its activity i.e. hygiene and the food safety of its products.

As a means of anchoring the development of control over their environmental impacts, Group subsidiaries are equally encouraged to apply for ISO 14001, and 50001, certification of their environmental management systems.

The Group has also developed internal Guides to Best Practices with regard to various issues with environmental impacts: raw material yields, energy management, cleaning-in-place systems and loss prevention.

The guides are generally accompanied by self-diagnosis questionnaires enabling each entity to measure its progress.

### Consumer health and safety

The essential part of the Group’s production is performed using milk that the Group collects either directly or via associated cooperatives. Milk traceability is entire and subject to rigorous and systematic control. All suppliers of ingredients are subject to listing procedures, including the joint signature of specifications ensuring compliance with all the applicable regulatory requirements, and to regular audit.

The requirement for quality is an integral component of our business culture. The Group devotes very significant resources to achieving excellence in all areas of quality, with a level of commitment in excess of its regulatory requirements.

New products are subject to a process of approval prior to their launch in the market; manufacturing batches are quality controlled prior to release and on-site audits are regularly performed at all locations. In addition external audits, focused on compliance with ISO 22000 dealing with food safety management are regularly undertaken.

Quality as perceived by consumers is monitored via two tools in particular: a permanent panel of consumers which continuously assesses our products, and sensorial analysis which enables our products to be regularly assessed by trained staff. This approach enables us to improve products’ relative quality with regard to their competitive environment.

### Nutrition

SAVENCIA Fromage & Dairy manufactures natural products using carefully selected quality raw materials. Several focuses have been defined with the aim of helping the consumer adopt a balanced diet:

- The information and education of consumers: the publication of precise nutritional information on each product and the development of tools for training in balanced diet taking due account of the dimension of pleasure, of varying diet and of the concept of the portion consumed;
- A product offering including natural products with strong nutritional value and meeting the specific requirements of all: Low-fat or lactose-free products or products enriched in calcium or vitamins. The Group also proposes a range of organic milks and of milk-free desserts for allergic babies.

### Management of environmental incidents

A crisis management system is operational at all the Group's manufacturing, logistical and administrative locations. Regular exercises are performed to check the responsiveness of this organization and to fine-tune its operation.

Best practices for preventing risks of fire, explosion, accidental pollution and natural catastrophes are disseminated with the aim of reducing their impacts in the event of occurrence.

This preventive action is complemented by investment including the provision of sprinklers and water tanks, the securing of electrical installations, the creation of retention ponds, the reconstruction of industrial effluent networks, the reinforcement and improvement of water purification stations by means of pre-treatment systems etc.

The risks associated with climate change are not judged significant given the geographical location of our subsidiaries. To date, about 8% of our sites have nevertheless identified potential risks and prepared for their occurrence by developing business continuity plans in the event of water shortages and performing hydrological surveys. One site has for example created an overflow canal to protect against the risk of flooding.

### Training and information of employees

Each year, each Group location makes commitments to limit its consumption of water and energy as well as its generation of waste.

In 2016 several locations engaged in environmental protection training and employee information including:

- The monitoring and publication of environmental indicators;
- Training in saving energy and water, waste management and sorting of waste;
- Employee meetings to explain results and goals for progress.

In-house training for all supervisory personnel contributes to awareness-raising and helps deploy a true culture of environmental respect within the Group.

### SUSTAINABLE USE OF RESOURCES

SAVENCIA Fromage & Dairy's commitment to limiting its environmental impact involves all management levels and all processes with potential impacts.

The deployment and monitoring of action plans are supported by specialized cross-functional committees (for water, energy, raw materials etc.) which help to identify and disseminate best practices.

### Combating waste

The Group has decided to launch, with participation by all employees, a program of industrial performance focused on combating waste and improving working conditions.

The aim is to reduce losses of raw materials and packaging, excess consumption of energy, water and cleansing products, substandard products, breakdowns and unplanned stoppages, superfluous travel, painful physical postures etc. thereby combating all forms of waste.

The approach is one of lean production at every stage, by developing operatives' autonomy and sense of responsibility to strengthen their involvement and foster their ability to propose solutions for improvement.

Encouraged by the results of the pilot phase performed in 2015, the Group has formed a dedicated team to deploy the method at all sites.

An internal training school has been created and numerous teams have been trained in the program's objectives and in the applicable tools for continuous improvement: 5S, problem-solving, Six Sigma, SMED, performance routines.

Other complementary actions developed to limit food waste include the development of formats adapted to consumers' needs (portions, re-sealable boxes etc.) or gifting to food banks.

### Optimizing consumption of raw materials

The Group engages in continuous review of manufacturing processes in order to maximize milk transformation and enhance the value of byproducts.

The standardization of processes and operating methods, the generalization of high performance equipment, and loss reduction plans, all help reduce consumptions.

Complete analysis of material yield enables operating teams to optimize manufacturing process control.

The quantities of milk purchased constitute confidential data.

### Reducing water consumption

Reported water consumption equates with water directly drawn or purchased; recycled water from manufacturing processes is thus not taken into account.

In 2016, water consumption amounted to 15.8 million m<sup>3</sup>, down 0.9% like-for-like.

These results translate the commitment of our sites and the effectiveness of their initiatives:

- Improvement of metering, daily monitoring and definition of target consumption for each workshop, communication of results to operatives to improve day-to-day control;
- Partial recovery of water in whey which is filtered then used for external washing;
- Optimization of cleaning processes: attachment of water pistols to hoses, recovery and reuse of water used to rinse tankers and cool pumps, modernization of cleaning-in-place equipment, adjustment of cleaning frequencies and rinse times, reduction of losses when purging;
- Motivation of employees based on training, continuous improvement and the creation of working groups.

### Water supply

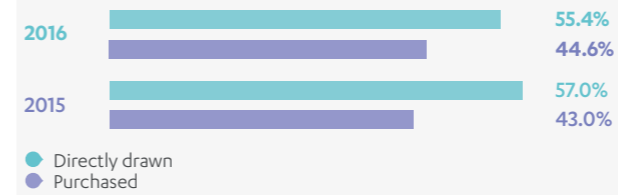
Local water supply constraints are rare and essentially seasonal in nature. They only affected 10.2% of the Group's locations in 2016.

Like-for-like, 55.4% of the water consumed in 2016 was directly drawn water, a fall in comparison with 2015.

In France, the Group participates in shared efforts to identify the most effective practices and technologies for limiting the use of directly drawn water.

### Structure of water supply

(Like-for-like, all locations)



### Reducing packaging and paper consumption

**OUR PROGRESS**

**-70 tons of plastic**

**-28 tons of cardboard**

**in 2016, thanks to the eco-redesign of the pack for the Burgo de Arias minis production of our Spanish subsidiary Arias.**

Conscious of the environmental issues at stake, for several years SAVENCIA Fromage & Dairy has devoted effort to reducing the volume of its packaging. In 2016, several subsidiaries engaged in eco-design activities in order to minimize their environmental impact, mainly in the form of modification of packaging by reducing the thickness and quantities of the materials used.

In 2016, packaging and paper consumption, all materials and all product types included, increased by 7.9% over 2015 and included a significant increase in plastic and wood packaging, trends attributable to:

- The development of self-service products and of portions and snacking products adapted to new modes of consumption;
- Increased volumes and co-packing activity;
- Increased purchases of wood pallets given the increasing volumes transiting via the Group's logistical platforms and the renewal of its stock of pallets.

Actions for reducing consumption included:

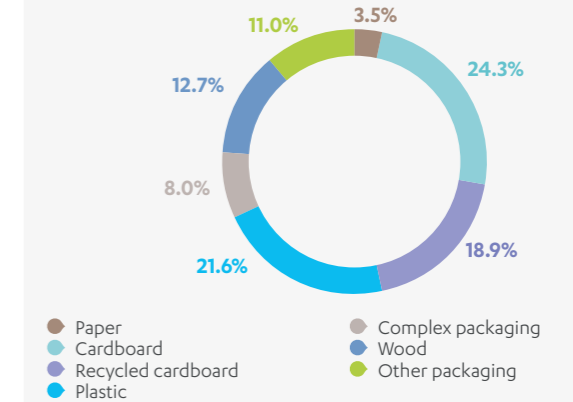
- Reduction of packaging line losses;
- Redesign of packaging for certain products.

Partnerships are engaged in with various national bodies charged with collecting, sorting and recycling packaging.

### Structure of consumption of paper and packaging

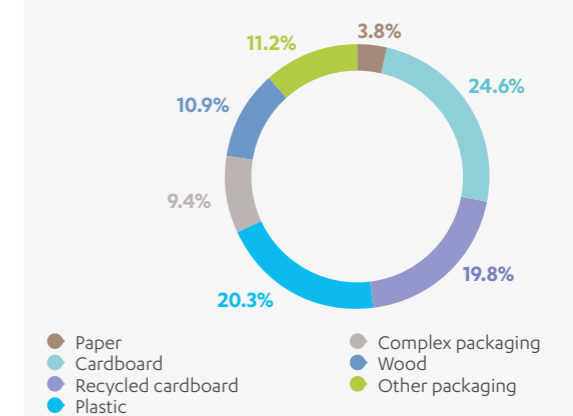
#### Structure of consumption of paper and packaging in 2016

(Like-for-like, all locations)



#### Structure of consumption of paper and packaging in 2015

(Like-for-like, all locations)



### Improving energy efficiency

**Our progress**

**22%**

**The extent of the gas saved saved in 2016 by our Kolb Lena production site in the USA, thanks to a new boiler.**

In 2016, the Group's energy consumption amounted to 8,010 GJ, a fall of 1.9% like-for-like compared with 2015.

The performance reflects the effectiveness of the best energy practices deployed at sites.

A steering committee engages in periodic monitoring to accelerate the momentum of progress in 3 main areas:

**Energy production and transformation**

- Systematic measurement of boiler yields and periodic performance appraisal;
- Replacement of old boilers with new boilers providing higher yields (a plan has been developed and progress is regularly monitored);
- Renovation of cooling equipment to increase performance;
- Modernization or replacement of air compressors;
- Replacement of lighting by low consumption appliances;
- Installation of speed controllers.

**Energy distribution**

- Lagging;
- Pressure reduction of fluid networks;
- Tracking of compressed air leaks and inspection of steam network bleeders.

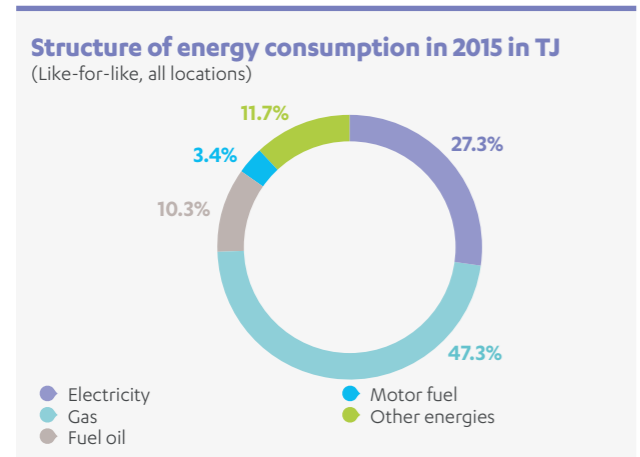
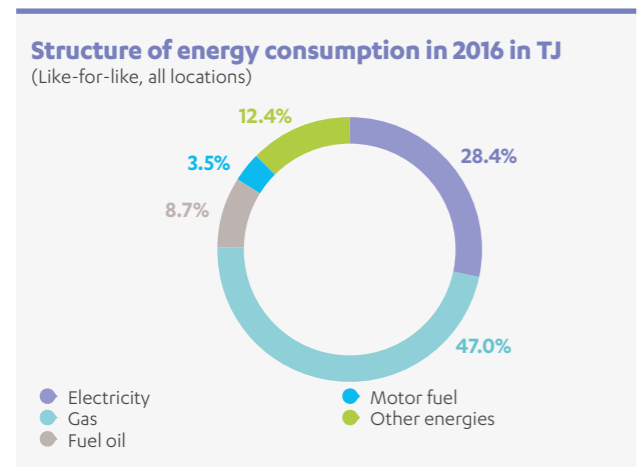
**Energy consumption**

- Development of metering and monitoring of yields;
- Plan for renovation and enhancement of cleaning-in-place equipment;
- Deployment of membrane-based processes in partial or full replacement of evaporators.

Energy audits, mandatory in France and in certain other European countries, encourage consolidated effort. In the Group, these audits are conducted to a higher standard than the regulatory obligations and help accelerate progress.

**Structure of energy consumption**

The main change in 2016, as in 2015, has been the fall of 17.8% (like-for-like) in fuel oil consumption.



**Renewable energies**

3 sites in Brazil and one in France, the Fromagerie d'Iloud which manufactures Caprice des Dieux, are equipped with wood boilers. Local supply is preferred and in France, the wood consumed is sourced from renewable forests managed by the *Office National des Forêts*.

In France, our Le Tholy site equally makes use of the hydro-electric potential available locally.

**PREVENTION OF POLLUTION**

**Reducing industrial waste**



The quantities indicated are those evacuated in 2016; sub-standard products are not included.

Like-for-like, non-dangerous and dangerous waste for our production sites rose by 2.7%.

The change is mainly attributable:

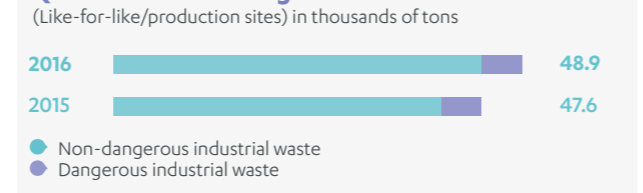
- For non-dangerous waste, to increased packaging reflecting the trend in product mix;
- For dangerous waste, to extensive work on cleaning, clearing and asbestos removal (accounting for over a third of dangerous waste in 2016).

74.5% of non-dangerous waste is recycled by type.

The measures taken to reduce waste include:

- Reduction of the weight of packaging;
- Cooperation with suppliers to reduce packaging;
- Purchase priority for the least dangerous products for a given level of quality;
- Selective sorting;
- Recycling of containers;
- Specific recycling of bio-waste.

**Quantities of waste generated**

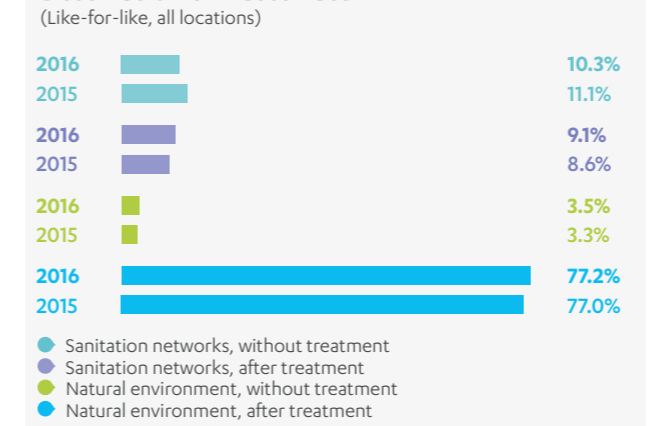


**Reducing wastewater discharges and improving wastewater quality**

Total wastewater discharges amounted to 14.0 million m<sup>3</sup>, stable compared to 2015.

96.5% of wastewater is purified before being discharged into the natural environment.

**Destination of wastewater**



These results were attributable to actions which are improved each year:

**Manufacturing process control**

- Reduction of water consumption, thus mechanically reducing the volume of wastewater;
- Recycling of final rinse-water for reuse in subsequent rinsing;
- Recovery of whey and deployment of membrane processes to filter wastewater;
- Reduction in the proportion of pollutants in water before it goes to the treatment plant thanks to the reinforcement and systematization of controls;
- Installation of waste water meters and turbidity meters designed to measure and monitor changes in load.

**Control over purification**

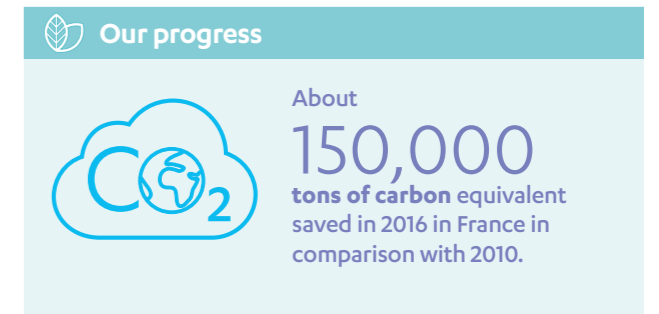
- Implementing best practices;
- Installing pre-treatment or post-treatment processes to optimize purifying plant efficiency. In 2016, pilot pre-treatment units were installed at certain sites and may be generalized if the trials prove conclusive;
- Installing devices for measuring chemical oxygen demand (i.e. the quantity of oxygen required to oxidize the organic matter contained in wastewater) and regularly monitoring results;
- Use of new processes for the recuperation of phosphor.

**Reducing undesirable smells**

- Several measures assist in reducing undesirable odors:
- Smell monitoring;
  - Closed-loop control of ventilators;
  - The installation of remote optical camera control of piping.

**COMBATING CLIMATE CHANGE**

**Improving the carbon footprint of milk production**



Since 2010, the Group's Responsible Dairy Sourcing program supports milk producers in the sustainable development of their farms and helps them reduce their environmental impact and improve their carbon footprint whilst at the same time improving their economic performance.

The policy of Responsible Dairy Sourcing involves six commitments:

- Logistic arrangements respectful of the environment;
- Sustainable economic performance;
- Active dialogue with the parties concerned;
- Living and working in closer cooperation;
- Responsible social policies;
- Sustainable milk production.

Sustainable milk production involves 4 stages:

- Diagnosis of dairy farms;
- Identification of strengths and points for improvement;
- The offer of training and the encouragement of pooling of experience by farmers;
- Prioritization of action plans and the offer of support for their deployment.

The diagnosis, whose purpose is to measure the farm's performance in economic, environmental and social terms, is performed over 10 indicators:

- Profitability of the farm;
- Financial autonomy of the farm;
- Sustainable management of resources;
- Carbon footprint;
- Animal wellbeing;
- Food autonomy of the herd;
- Biodiversity;
- Soil fertility;
- Quality of life of the farmer;
- Management of the farm.

To perform diagnosis and help farmers engage in actions for improvement, partnerships have been concluded with several organizations including the French Institute of Farming, INRA, IAD etc.

Producers supplying the Group have attested to the positive effects of the approach. The following actions are typically deployed:

- Vegetative cover of land;
- Limitation of phytosanitary treatments and inputs of fertilizers;
- Preservation of hedges;
- Less purchasing of food complements;
- Promotion of best farming practices.

In France, at the end of 2016, close to 1,100 dairy farms supplying the Group had performed a diagnosis under the program.

In 2016, about 150,000 tons of CO<sub>2</sub> equivalent were thus saved in comparison with 2010. The goal is to achieve a 20% reduction, by 2020, of the carbon footprint of dairy farms delivering to the Group in France.

In Germany, farmers are trained in achieving water and energy savings.

In Spain, supply contracts have been signed with all suppliers of cow's milk.

In Poland, producers are encouraged to invest in milking equipment and herd management.

In the Ukraine and Serbia, farmers are trained in farm management with a particular emphasis on animal nutrition.

### Improving the carbon footprint of milk collection and transport

The organization of milk collection, the exchange of dairy materials between plants and product distribution are all part of the effort to reduce greenhouse gas emissions. In France, transport subsidiaries subscribe to the "CO<sub>2</sub> Carriers Commit" charter.

Vehicle fleets are equipped with robust and economic tractor units. Drivers are trained in eco-driving. Electronic monitoring of fuel consumption and vehicle maintenance plans also help improve environmental and economic performance.

Milk collection rounds are optimized by deploying collection tanks of larger capacity.

Grouped deliveries of finished products improve loads and provide customers with better service whilst at the same time consuming less fuel so producing lower emissions.

### Improving the carbon footprint of production

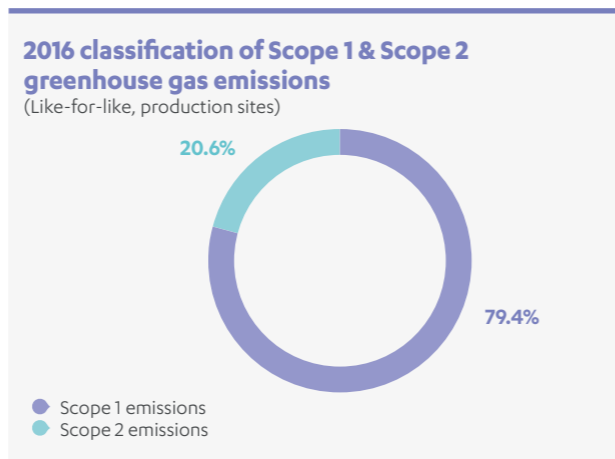
The main actions and results are described in the paragraph devoted to the improvement of energy efficiency (page 53).

Greenhouse gas emissions for sites' direct activities are measured over two scopes:

- Direct emissions (scope 1) comprising those related to the combustion of fossil energies, to non-energy processes (resulting from the treatment of wastewater) and to leakage of refrigerants;
- Indirect emissions (scope 2) comprising those related to the production of electricity, steam or other sources of heating or cooling purchased and consumed by sites.

The data covers all the Group's production sites and is presented in accordance with a methodological change effected in 2016.

SAVENCIA Fromage & Dairy is not in a position to report on its other (scope 3) indirect emissions.



Several factors contribute to site emissions, including manufacturing processes and the energy mix used by each site. Sites' geographical location must also be taken into account because scope 2 emissions may vary for plants located in different countries.

The Group ensures that new equipment emits lower levels of greenhouse gases, in particular in the case of boilers and cooling equipment covered by a renewal program.

### Progressing at the level of the industry

SAVENCIA Fromage & Dairy is involved in defining a shared framework for the dairy industry covering the calculation of lifecycle analysis data with regard to greenhouse gases and the provision of environmental data in respect of finished products.

### PROTECTION OF BIODIVERSITY

Our Responsible Dairy Sourcing program contributes to the preservation of biodiversity (cf. the paragraph devoted to "Improving the carbon footprint of production").

Developing pasture and natural herd feeding are at the heart of the approach. Pastures stock carbon, prevent soil erosion, filter water, encourage biodiversity and enable natural recycling of cowpats. Properly managed, they require virtually no use of pesticides or fertilizers. Responsible Dairy Sourcing is also a matter of promoting best watering and cleaning practices in order to reduce farms' water consumption.

Preventive measures in general force at our production sites include:

- Reducing the consumption of cleaning products;
- Renovating drainage networks;
- Optimizing the functioning of purifying stations;
- Methanizing production waste in order to limit phosphor emissions.

Our sites also take initiatives to preserve or develop biodiversity around our installations by:

- Planting vegetation on the land bordering our sites and purifying stations;
- Restocking ponds;
- Providing havens for insects;
- Flowering fallow land and performing late-season haymaking of nearby pastures.

### Sites located in protected zones

9.4% of our sites are located in protected zones such as natural parks, Natura 2000 nature protection areas or forests.

Various methods are applied for their preservation: conservation of forest areas by planting endemic species, reduction of greenhouse gas emissions etc.

### OTHER MEASURES IN FAVOR OF THE ENVIRONMENT

#### Compliance and regulatory watch

SAVENCIA Fromage & Dairy, our subsidiaries and individual sites pay great attention to their regulatory compliance.

A firm of outside consultants assists us in following the day-to-day changes in legislation and regulatory requirements. An ad hoc computer application, periodic bulletin and quarterly interviews are used to help our sites keep up to date with new requirements and their practical application.

In France, as required by law, each production facility submits details related to facilities classified for environmental protection. The activities concerned are classified subject to different requirements:

In 2016,

- 43.1% of locations are subject to declaration;
- 44.6% of locations are subject to recording;
- 12.3% of locations are subject to authorization.

### ACTION PROGRAMS AND CAPITAL EXPENDITURE IN 2016

The Group's programs and initiatives have been presented in the chapters dealing with consumption of water and energy and waste management.

#### Capital expenditure

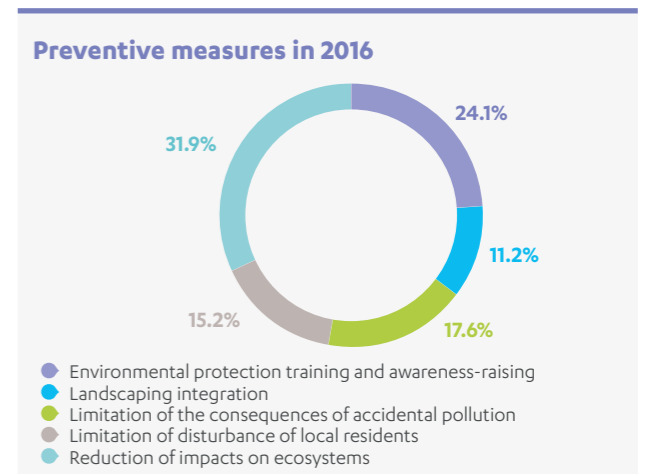
All investment in production capacity, or renewal of capacity, takes account of the environmental dimension:

- 19.8% of sites have committed expenditure to protecting the environment with new equipment for heating and cooling, measuring and controlling consumptions and waste, engaging in prevention and optimizing the treatment of waste and wastewater;
- 17.3% of sites have committed expenditure to reducing the risks of damage to assets and persons, in particular with regard to fire risk with the installation of fire detection and extinction systems and the reinforcement of electrical safety.

#### Operating expenditure

- 31.0% of sites have committed expenditure to protecting the environment, in particular with regard to the verification and maintenance of installations, to spreading of sludge and to treatment of waste and wastewater;
- 32% of sites have committed expenditure to reducing the risks of damage to assets: verification of electricity networks and maintenance of fire detection systems.

Preventive measures designed to limit risks, or the impact of their consequences, have been deployed.



### RELATIONS WITH STAKEHOLDERS

The main stakeholders have been identified: consumers, employees, farmers, suppliers, local residents, regulatory agencies, city halls and fire services the needs of all of whom are assessed via on-site meetings, satisfaction surveys and audits. Group locations strive to meet all their requirements by developing relationships of trust and engaging in appropriate communication.

#### Milk producers

SAVENCIA Fromage & Dairy commits strongly to its milk producers in order to encourage the development of a sustainable dairy industry.

In France, producers have joined together in producer organizations and cooperatives which assume responsibility for managing the volumes to be purchased, the applicable price and the requisite quality specifications.

Our dairy advisors are in daily contact with farmers to respond to their questions, help them resolve issues of quality and support changes in their practices.

For several years, the Group's Responsible Dairy Sourcing program has thus enabled those farmers so wishing to make changes to their approach to producing milk.

Following a diagnosis of the farm, the support provided takes the form of the proposal of training in response to the needs and priorities established by the farmers themselves and devoted to themes such as cows' wellbeing and nutrition, soil fertilization, protein autonomy, etc.

In 2016, the environmental diagnosis proposed to farmers has been enriched to extend to social and economic factors.

Field visits and farmers' working groups are also organized.

The installation of young farmers is facilitated with the allocation of a production volume, financial support, a guaranteed margin for the first three years and ongoing training. In 2016, within a particularly difficult context for farming, the Group has supported young producers with the offer of a specific bonus which has benefited about 15% of our farmers.

SAVENCIA Fromage & Dairy is equally very active within dairy industry trade bodies such as, in France, the National Dairy Industry Federation, the *Centre National Interprofessionnel de l'Économie Laitière*, FranceAgriMer, interprofessional regional centers and laboratories, etc.

Local residents

Specific preventive measures are aimed at reducing and limiting any disturbance of local residents essentially in the following areas:

- Noise disturbance with the installation of acoustic walls;
- Olfactory disturbance with the optimization of purifying station treatments in order to accelerate biodegradation, limitation of the ventilation of purifying station sludge and dehydration of sludge using centrifugation.

Suppliers

SAVENCIA Fromage & Dairy develops long-term collaborative relationships with its main suppliers with the focus on sharing progress.

Suppliers are selected on the basis of criteria of quality, security, service and competitiveness, and of their capacity to accompany the Group in the long term. The Group is attentive to the economic equilibrium, for the long term, in particular of its large and small SME suppliers.

Functional analysis of requirements, reasoning in terms of total cost and the search for innovative solutions are the engines of the Group's purchasing policy which encourage the emergence of competitive and sustainable solutions. Forums for innovation allow suppliers to present their products and processes.

Purchasing consolidation, the rationalization of references and the development of framework agreements also contribute to the Group's competitiveness.

RESPONSIBLE PROCUREMENT

A purchasing code of conduct governs our buyers' commitments in their relationships with suppliers in the following four main areas: integrity and ethics, communication and collaboration, progress and widely, responsible and sustainable procurement.

The Group's Charter for Sustainable and Socially Inclusive Purchasing sets out the Group's expectations. Widely distributed to suppliers, who are invited to confirm their adhesion, it is also systematically communicated in the framework of requests for tender.

In France, the Group is a signatory of the *Charte Relations Fournisseur Responsable de la Médiation des Entreprises et du Conseil National des Achats* intended to promote responsible purchasing and long-term partnerships between large and small companies of the same industry, and to support the competitiveness and financial equilibrium of large and small SME suppliers.

Buyers and all new managers receive training in the Group's responsible purchasing policy.

The social and environmental performance of our main suppliers is assessed by ECOVADIS using a consistent methodology. Areas for progress identified are shared with the vendors concerned. 105 vendors were thus assessed in 2016.

SAVENCIA Fromage & Dairy does not engage in any significant amount of production subcontracting but has recourse to service-providers in particular for cleaning and maintenance. Our service-providers are informed of the hygiene and safety requirements in force at the sites on which they operate.

SOCIAL REPORT

VALUES AND ORGANIZATION

SAVENCIA Fromage & Dairy is attached to the development of equitable and constructive relationships with its stakeholders.

For many years, the Group has developed a responsible human resources policy anchored in humanistic culture: building the future with the support of its employees, and developing their talents by providing each employee the opportunity of progressing and engaging in personal achievement within the Group.

The "Safety is OUR business" program is designed to prevent the occurrence of occupational risks at all our subsidiaries, and is materialized by a common commitment to changing patterns of behavior and adopting a collective culture of safety. The World Week of Health and Safety at Work binds employees and provides recognition for initiatives deployed in the field to ensure the safety of all.

The diversity of our geographical locations, activities and businesses makes it possible to offer numerous career opportunities supported by a charter for mobility. Annual assessment provides input to personal development plans both reinforcing skills and ensuring continuing employability. Our participative management through objectives makes it possible to delegate, render each employee accountable and focus action on the year's priorities.

Periodic staff opinion surveys have been performed in conjunction with the Great Place To Work institute since 2009. They enable each subsidiary to dispose of quantified data and define focuses for progress and improvement.

The Top Employer label recognizes the quality of human resource managerial practices and systems. In 2016, the Group received the Top Employer France label for the 8th consecutive year and for the 4th time, the Top Employer Europe label. It was also recognized as a Best French Employer in 2016 by "Capital" magazine, with 1st place for food industry employers.

THE GROUP AND ITS EMPLOYEES

The Group had 19,307 equivalent full-time employees (including temporary employees) in 2016 (18,911 in 2015).

They were located as follows:

- 41% in France;
- 30% in the rest of Europe;
- 29% in the rest of the world.

Analysis of employees at December 31, 2016

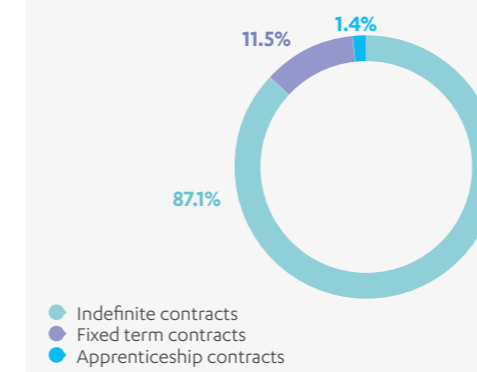
18,568 persons were employed on the basis of indefinite or fixed term contracts of employment at December 31, 2016 (18,131 at the end of 2015).

By status

The number of managerial staff in the Group attained 2,764 at December 31, 2016 i.e. 14.9% of the total at the level of the Group and 18.0% in France, stable compared with 2015 (respectively 14.7% and 17.6%).

By type of contract

Breakdown of employees by type of contract – 2016

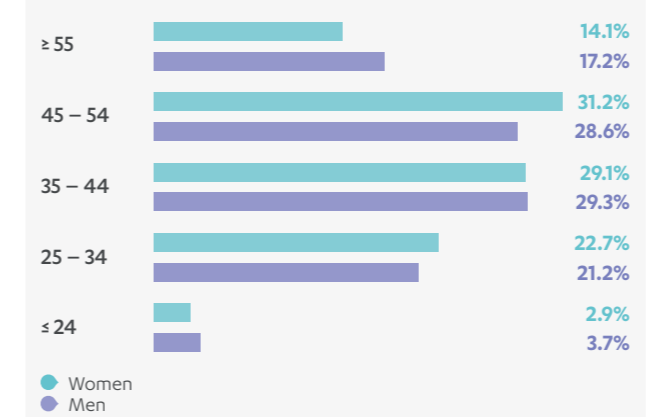


In France, permanent contracts represented 94.0% of total employees in 2016 compared with 94.2% in 2015.

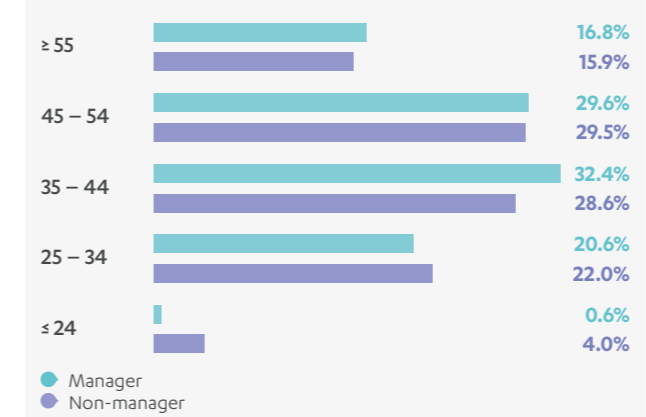
At December 31, 2016 the Group had 1,521 temporary or similar employees, i.e. 7.6% of total employees including temporary staff.

By age

Breakdown of permanent employees by sex and by age – 2016



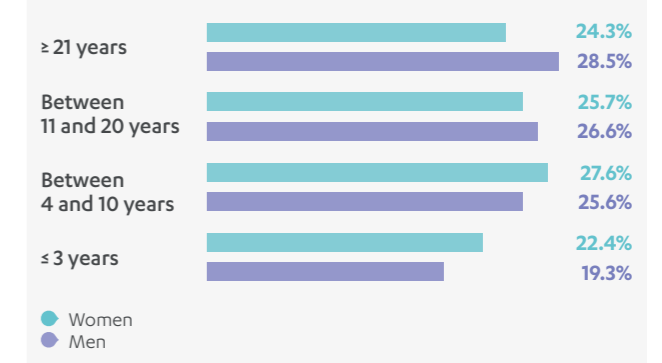
Breakdown of permanent employees by status and by age – 2016



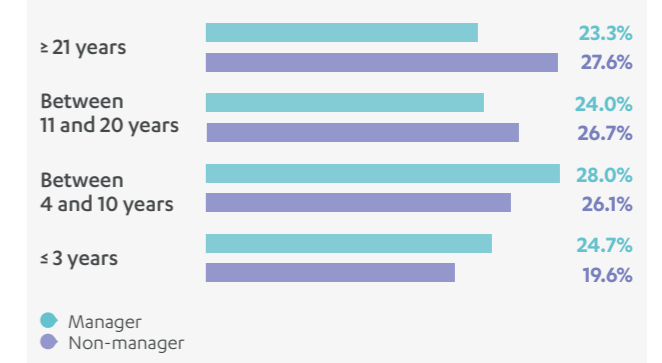
Young employees (≤24) represent 3.4% of permanent employees and employees over 55, 16.1%.

By length of service

Breakdown of permanent employees by length of service and by sex – 2016



Breakdown of permanent employees by length of service and by status – 2016



The average length of service in the Group amounted to 14 years in 2016.

ORGANIZATION OF WORKING HOURS

Hours worked

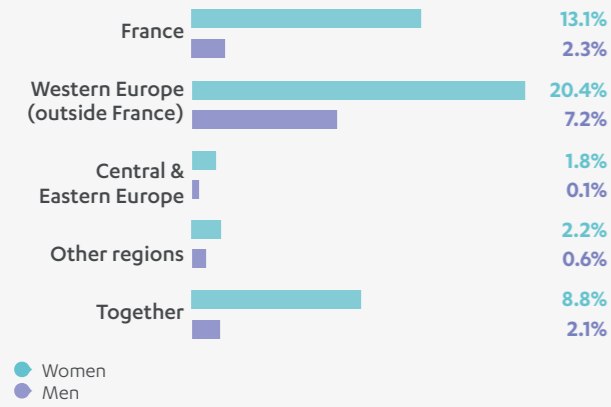
On average, a Group employee worked 1,677 hours in 2016 and 1,471 hours in France including 18 hours of overtime. 34.1% of employees in France worked at least some overtime in 2016.

Part-time work

Part-time work applied to 4.6% of the Group's permanent employees (8.8% of women and 2.1% of men).

Part-time work is mostly chosen by employees as a means of meeting the balance between work and home life, a dimension to which the Group pays close attention.

**Breakdown of part-time work by geographical zone and by sex – 2016**



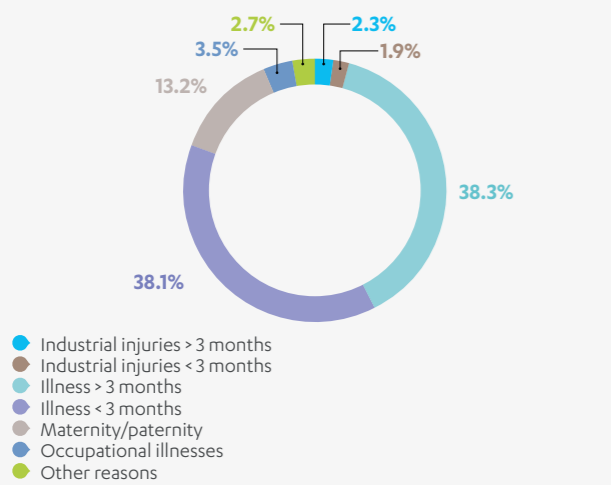
**Shift work and night work in France**

In France, 48.9% of employees work shifts. Night work concerns 19.8% of employees.

**Absence**

On average, SAVENCIA Fromage & Dairy has 17 calendar days of absence per employee and per year, stable compared to 2015. More than three quarters of absences are due to illness.

**Breakdown of reasons for absence – 2016**



**EMPLOYMENT AND EMPLOYEES' PERSONAL DEVELOPMENT**

**Training**



The Group offers training of quality for all. It invests in the future by adapting its training offerings and programs to the goal of maintaining its employees' employability. It identifies key competencies by business and function and designs training sessions aimed at enabling employees reinforce their technical level as well as develop their managerial and relational skills.

Mention may be made, among other programs, of:

- Support for Group policies in the areas of safety, risk prevention and diversity;
- Specific training for new manager-level entrants;
- Our "Management Excellence" seminars for managers;
- Functional seminars such as in Marketing Excellence, HR Excellence or our SAVENCIA Academy which offers industrial managers courses focusing on cheese and dairy know-how with the emphasis on manufacturing, quality and research.

When possible, SAVENCIA Fromage & Dairy encourages training and the recognition of experience sanctioned by diplomas such as France's *Certificats de Qualification Professionnelle*.

In 2016, training amounted to 225,383 hours and 1.7% of payroll compared with 1.5% in 2015. The 4,949 training sessions which took place were directed at 64.0%\* of the Group's employees.

**Job training and apprenticeship**

The Group believes that long work experience and formal apprenticeship are effective ways of integrating future staff members. It follows an active policy of partnership with business and engineering schools and offers job training and apprenticeship at all levels of education and for many functions including in particular those involving milk, marketing, sales and finance.

In France, apprenticeship concerns to 2.0% of employees, with internships accounting for 1.4% of employees.

**Internal mobility**

SAVENCIA Fromage & Dairy encourages internal mobility both within and between its subsidiaries and at all levels of responsibility.

An internal database enables employees to be aware of all job opportunities within the Group.

All subsidiaries perform annual career reviews focused on preparing future career movements for their staff. The information provided to the Group provides overall vision and can be used to facilitate movements whether between subsidiaries, functions or countries.

**Recruitment and transfers**

The hire rate for permanent employees amounted to 11.6% compared with 10.4% for departures (including intragroup transfers, in both case based on employees on payroll at the year-end). Departures motivated by the employer represented 3.6%.

The Group offers young persons who have just completed their higher education a Graduate Program in Sales and Marketing. It allows participants to obtain related work experience in the various countries where the Group is present and has subsidiaries.

**HEALTH AND SAFETY AT WORK**

**"Safety is OUR business"**



The Group wishes to make health and safety at work a value shared by all. In 2016, the approach deployed since 2009 was boosted with the name of "Safety is OUR business" as a means of stressing the importance of the collective approach and of shared responsibility.

Reaffirming their commitment, management signed a Charter for Health and Safety at Work which targets zero accidents by 2020 and underlines the responsibility of the company and its managers. Published on the occasion of the Group's 4<sup>th</sup> World Safety Week, the charter is visible at all our sites.

A Safety framework is also available to guide all our production units. Its 10 golden rules are equally very visible to relay messages for accident prevention.

Each entity defines and rolls out an action plan including quantified and monitored goals. A tool for monitoring and analysis of accidents, and regular reporting, contribute to progress. The Group's *Flash info Accident Groupe* bulletin helps identify risks and the means of preventing their occurrence.

The Group-wide Behavioral Safety Visits mobilize top management, line managers and operatives with the goal of identifying and eliminating situations conducive to risk.

Health policy includes efforts to prevent deterioration by improving workstation ergonomics, preempting the occurrence of psycho-social risks and enhancing the quality of life at work.

In 2016, new technologies for diagnosis were presented. A 3D simulation tool helps identify inappropriate gestures and postures and how to correct them, including by means of more ergonomic design of machines from the start.

In France, SAVENCIA Fromage & Dairy has a system providing assistance and psychological help. It includes on-site support and for certain subsidiaries, a help and crisis line for employees and their family available 24/24. Managers have equally been made more aware of the forms psycho-social risks can take.

All these efforts in the area of health and safety at work have produced a new fall in the incidence of occupational injury for the Group. The accident frequency rate fell by 5.5% over the year, whereas the accident severity rate remained stable.

|                         | 2016 | 2015 |
|-------------------------|------|------|
| Accident frequency rate | 8.6  | 9.1  |
| Accident severity rate* | 0.4  | 0.4  |

\* With days' absence from work based on calendar days.

In 2016, the Group deployed a TFI indicator which includes the safety at work of its temporary employees. The overall accident frequency rate, inclusive of temporary employees, amounts to 10.6.

In France, 35 employees were affected by occupational illness during 2015. Similar data is not communicated for the rest of the world given the heterogeneity of international definitions of occupational illness.

**DIVERSITY**

The Group's Ethical Charter underlines that respect for persons, and equality of opportunity, are pillars of our corporate culture. The Group remains attached to giving every talent its chance, is attentive to the respect of individual opportunities and non-discrimination and trains its managers for that purpose.

**Intergenerational agreements**

In France, the "intergenerational contract" now complements and reinforces earlier measures in favor of older employees: mentoring, lifelong training, improved working conditions and prevention of job stress or duress.

The measures supporting the integration of young employees are ongoing: mentors, induction courses such as the Graduate Program, etc.

**Equal opportunities for men and women**

SAVENCIA Fromage & Dairy promotes equal opportunity for all its employees by means of non-discrimination in terms of recruitment, qualification, training, remuneration or career progress. A guide to best practices has been provided to recruitment firms, which are required to submit mixed lists of candidates.

The proportion of women employed amounts to 40.2% overall and 50.3% in headquarters and service companies. The proportion of female managers amounts to 39.6% overall (+2.4% compared with 2015) and in France, almost 42.9% (stable in comparison with 2015).

The Group identifies and shares best practices in favor of professional equality:

- In-house communication promoting diversity, including specific training;
- A comprehensive approach to taking account of periods of severe family constraints;
- Organization of working conditions and the provision of services helping reconcile professional and personal life.

**Measures in favor of the employment of people with disabilities**

In accordance with its humanistic values, SAVENCIA Fromage & Dairy facilitates the access to and continuing employment of handicapped persons via appropriate recruitment,

\* Calculated on the basis of the number of employees trained during the year in comparison with those present at December 31.

support and training processes, individualized welcome and integration and adaptation of premises, workstations and working hours. Collaboration is equally developed with sheltered workshops and similar bodies.

The Handicap Week provides the occasion for events and workshops designed to raise employees' awareness of people's perceptions of handicaps, fight stereotypes and promote the recruitment and maintained employment of handicapped persons.

Certain subsidiaries have signed agreements to support their staff in the process of obtaining Recognition of Handicapped Worker Status.

In 2016, the Group employed 2.8% of handicapped persons. In France, the proportion amounted to 4.1%.

## COMPENSATION

SAVENCIA Fromage & Dairy's compensation policy is designed to ensure equity, support the Group's attractiveness and retain and motivate talents. In addition to fixed compensation, certain employees may be eligible, depending on their responsibilities and functions, for an individually determined variable component of compensation based on the achievement of objectives set during the annual appraisal. Profit-sharing arrangements may also be available.

Total payroll rose by 1.8% in 2016, notably reflecting in particular individual and collective pay increases, inflation in the emerging countries and the weakening of the euro against other currencies.

Since 2012 and in France, the Group provides employees so wishing with a detailed annual summary of all the elements of direct and indirect remuneration applicable to the employee.

## EMPLOYEE SAVINGS IN FRANCE

In 2015, SAVENCIA Fromage & Dairy implemented a Plan d'Épargne Retraite Collectif (PERCO) Group Retirement Savings Plan for all its employees in France. The plan enables them to save additionally for retirement with the benefit of an incentive contribution from the employer. The plan has reinforced employee savings in the Group which already possesses a Plan d'Épargne Groupe (PEG) Group Savings Scheme.

Available since 2008, the PEG allows all employees in France to invest via various mutual funds including the SAVENCIA SA Mutual Fund, an employee shareholding fund. In order to support and add value to the savings of employees who take a stake in the Group's development, the Group tops up the SAVENCIA SA Mutual Fund with a supplement encouraging small investments in particular.

French entities' mandatory profit-sharing allocation for 2016 amounts to €6,707,650.

Some subsidiaries have signed additional profit-sharing agreements designed to promote greater commitment by employees to their companies' performance or to the achievement of goals of quality, productivity or safety at work, etc.

## QUALITY OF EMPLOYEE RELATIONS

### Social dialogue



Dialogue with employees is placed as close to the field as possible, in order to adapt to each of the Group's businesses and organizations in accordance with the Group's principle of subsidiarity.

At all levels in its organization, the Group has bodies representing personnel: in subsidiaries with works committees, in France with the Group Committee and in Europe with the European Works Committee.

Rules and procedures for consultation, the provision of information and negotiation are implemented to advance social dialogue.

### Collective bargaining agreements

In France, SAVENCIA Fromage & Dairy is progressively deploying a core set of harmonized collective bargaining agreements which already include the new PERCO Group Retirement Savings Plan complementing the prior agreements within the Group Savings Scheme, providence benefits and supplementary healthcare insurance. The agreements, negotiated and signed unanimously with our trade unions, are managed by joint Group employee and management commissions.

In 2016, annual remuneration agreements were signed at 57% of our subsidiaries.

In addition to profit-sharing (cf. the paragraph on employee savings in France) and with the aim of improving working conditions, agreements for the prevention of particularly painful working conditions have equally been concluded by certain subsidiaries. They may, for example, provide for special pre-retirement working arrangements for employees subject to harsh working conditions.

### Staff welfare in France

In France, the staff welfare budget is mainly managed by each subsidiary's Works Committee.

Most companies subsidize, partly or totally, benefits such as supplementary healthcare insurance, transport, meal vouchers and holiday checks. Supplementary healthcare insurance is the welfare benefit most widely provided.

## In-house communication

The Group's internal communication is supported by in-house magazines, general and specialized intranet portals, posters, travelling exhibitions etc. A Group magazine is available to all employees.

SAVENCIA Fromage & Dairy's decentralized form of organization encourages all such initiatives, stimulates dialogue and contributes to staff development both within individual subsidiaries and in the Group as a whole.

### Listening to employees

"Great Place To Work" employee surveys have been performed periodically at all subsidiaries since 2009. They measure the social climate by allowing all staff members to express anonymously what they think and their expectations. The questionnaire covers pride of belonging, management's credibility, respect, fairness and conviviality.

Employees are informed of the results, which are used by each subsidiary to identify areas where progress is required and implement action plans. The mechanism helps subsidiaries fine-tune their human resource practices and results and contributes to our policy of continuously improving human resource management and tools with the involvement of both management and all employees.

## SOCIAL AND SOCIETAL RESPONSIBILITY

### A responsible approach to restructuring and organizational change

SAVENCIA Fromage & Dairy pays attention to adapting and developing its employees' skills so that they are able to respond to the ongoing changes in our organizations and jobs. We encourage training leading to diplomas that enhance staff employability. The Group's Ethical Charter recalls that "when restructuring is required, the Group undertakes never to leave an employee confront a problem of employment alone."

In conjunction with trade unions, the Group places the accent on training, mobility and career management. When it is found to be impossible to resolve an issue of employment by internal mobility, SAVENCIA Fromage & Dairy implements a set of measures to help employees find work elsewhere: skills assessment, training courses, outplacement, help with business creation etc. In such circumstances, employees are always followed on an individual basis.

## Compliance with International Labor Organization agreements

Via its adherence to the UN's Global Compact since 2003, SAVENCIA Fromage & Dairy is committed to complying with its ten principles governing human rights, working conditions, the environment and the fight against corruption.

The ten fundamental principles are recalled in the Group's Ethical Charter which states that each employee has a duty to alert whenever the employee believes that a violation of the Group's ethics is occurring.

### Local and social commitment

Since 2011, the Group's *Arrondi* program enables volunteers forfeit the centimes included in their net monthly pay, in return for which SAVENCIA Fromage & Dairy also pays a contribution for the benefit of four partner associations providing micro-credit finance.

In 2016, the Group signed a sponsorship agreement with *Planète Urgence* which enables volunteer staff to engage in a humanitarian mission for two weeks in the framework of special leave for the purpose of providing his or her skills in Africa, Asia or South America.

The Group encourages its entities and their staff to support local initiatives. Group subsidiaries are generally located in rural areas where they play an active role in providing jobs and in local economic and social development.

Numerous initiatives are conducted in cooperation with local and regional bodies, especially with regard to:

- Jobs: partnership with national employment agencies, providing work experience and apprenticeship and publishing vacancies in schools and universities;
- Training: cooperation with schools and universities, payment of training taxes, sponsorship, educational interventions in schools;
- Providing work for people in difficult situations: working with sheltered employment institutions and organization for disabled workers.

Subsidiaries provide local support to cultural or humanitarian organizations, such as *Restos du Cœur* and food banks, and organize specific aid for the victims of natural disasters.

At the Group level, our *Bien Nourrir l'Homme* endowment fund supports employees undertaking socially inclusive initiatives in France and abroad and also provides support for projects undertaken by organizations.

# INTERNAL CONTROL AND RISK MANAGEMENT

## GENERAL REMARKS

SAVENCIA SA's internal control procedures are designed in particular to ensure that the accounting and financial information communicated to its 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 in the Group's various operating entities.

Internal controls are implemented by each Group entity and by Group general management, with support from the Board of Directors and its Audit and Risks Committee, with the purpose (in conjunction with the Group's risk mapping) 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 its 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 a description of its risks prepared in liaison with general management. The description is 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. Deployment of our enterprise risk management approach to the Group's main operating subsidiaries is in progress in order to improve the Group's knowledge of the risks with which it is confronted.

### 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:

#### Risk of failure to comply with regulatory requirements

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 or 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.

#### Product risk

Consumer confidence in the Group's brands reposes on raw materials and products of irreproachable quality, so the Group is 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 infantile nutrition or parapharmaceuticals.

#### Risk of major damage to the Group's reputation

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, 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 of price volatility for raw materials

In all the markets where 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 the level of its financial results.

Faced with this risk, the Group is able to rely, on the one hand, on a unique portfolio of international and local brands recognized in their markets, and on its two complementary and countercyclical Cheese Product and Other Dairy Product business segments, and on the other hand, on the long-term partnerships with its milk producers.

#### Risk of a major incident at a 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 also 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.

#### Personal safety risk

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.

#### Financial risk

##### • Market risk

The Group is exposed to short-term 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 the Group's 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.

##### • Climate risk

In the short term, the Group has not identified any significant financial risks associated with the impacts of climate change. The risks associated with climate change are limited given the geographical location of our subsidiaries. To date, those sites having nevertheless identified potential risks have prepared for their occurrence by developing business continuity plans and performing specific surveys.

With the aim of progressive reduction of its greenhouse gas emissions, SAVENCIA Fromage & Dairy sets priorities for its reduction of energy consumption and takes care to ensure that new equipment installed has a lower level of emissions.

#### Risk of loss of customers

The concentration of hypermarket and supermarket chains, the Group's foremost 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.

## 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 levels of borrowing.

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 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 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 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.

## WORK PERFORMED FOR THE PURPOSES OF PREPARATION OF THIS REPORT

The preparation of this report has been based both on the internal control arrangements just described, on work performed by the Group's risk management functions at the request of Group Management and in particular, of the Chairman, and on the preparatory work performed by the Audit and Risks Committee which prepared a report on its activity in 2016 that was presented and discussed at the meeting of the Board of Directors held on March 9, 2017.

The same Committee met on March 8, 2017 to interview the persons responsible for preparing the Group's financial and accounting information. The results of those interviews were equally presented and discussed at the meeting of the Board of Directors held on March 9, 2017.

## CONSOLIDATED INCOME STATEMENT

| In thousands of euro  | 12 months        |                  |
|---|------------------|------------------|
|   | 2016             | 2015             |
| <b>NET SALES</b>  | <b>4,418,361</b> | <b>4,441,853</b> |
| Purchases adjusted for changes in inventory                     | -2,763,912       | -2,858,157       |
| Personnel costs   | -839,169         | -820,190         |
| Depreciation and amortization                                   | -125,267         | -119,372         |
| Other current operating expense                                 | -502,910         | -492,269         |
| <b>CURRENT OPERATING PROFIT</b>                                 | <b>187,103</b>   | <b>151,865</b>   |
| Other operating expense   | -18,626          | -40,904          |
| Other operating income  | 12,516           | 7,681            |
| <b>TOTAL OPERATING PROFIT</b>                                   | <b>180,993</b>   | <b>118,642</b>   |
| Financial expense   | -38,278          | -35,704          |
| Financial income  | 10,210           | 9,349            |
| Group share of results of associates                            | 6,715            | 8,936            |
| <b>PROFIT BEFORE TAX</b>  | <b>159,640</b>   | <b>101,223</b>   |
| Income tax expense  | -47,693          | -39,203          |
| <b>Net income from continuing operations</b>                    | <b>111,947</b>   | <b>62,020</b>    |
| <b>Net income from discontinued operations</b>                  | <b>-</b>         | <b>41</b>        |
| <b>NET INCOME</b>   | <b>111,947</b>   | <b>62,061</b>    |
| Net income attributable to equity holders of the parent company | 104,494          | 57,020           |
| Non-controlling interests                                       | 7,453            | 5,041            |
| <b>EARNINGS PER SHARE</b>                                       |                  |                  |
| <b>Attributable to equity holders of the parent company :</b>   |                  |                  |
| • basic   | 7.48             | 4.07             |
| • diluted   | 7.30             | 3.97             |
| <b>For continuing operations :</b>                              |                  |                  |
| • basic   | 7.48             | 4.06             |
| • diluted   | 7.30             | 3.96             |

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| In thousands of euro  | 12 months      |               |
|---|----------------|---------------|
|   | 2016           | 2015          |
| <b>NET INCOME</b>   | <b>111,947</b> | <b>62,061</b> |
| <b>Other comprehensive income:</b>                                    |                |               |
| Foreign exchange differences <sup>(1)</sup>                           | 22,078         | 8,007         |
| Change in fair value of available-for-sale financial assets           | -946           | 5,256         |
| Change in fair value of cash flow hedges, net of taxes <sup>(2)</sup> | -2,837         | 2,511         |
| Other changes   | -468           | -             |
| Share of associates and joint ventures in recyclable components       | -97            | 258           |
| <b>Total recyclable components of other comprehensive income</b>      | <b>17,730</b>  | <b>16,032</b> |
| Actuarial gains and losses relating to employment benefit plans       | -7,678         | 8,100         |
| Share of associates and joint ventures in non-recyclable components   | 23             | 234           |
| <b>Total non-recyclable components of other comprehensive income</b>  | <b>-7,655</b>  | <b>8,334</b>  |
| <b>Total other comprehensive income net of tax</b>                    | <b>10,075</b>  | <b>24,366</b> |
| <b>TOTAL COMPREHENSIVE INCOME NET OF TAXE</b>                         | <b>122,022</b> | <b>86,427</b> |
| Group share   | 115,092        | 77,201        |
| Non-controlling interests   | 6,930          | 9,226         |

(1) Mainly relating to the following foreign currencies: USD, EGP, BRL, CNY, ARS.  
(2) Mainly relating to hedging of interest rates and raw materials.

## CONSOLIDATED STATEMENT OF BALANCE SHEET

### ASSETS

| <i>In thousands of euro</i>                                 | December 31, 2016 | December 31, 2015 |
|---|-------------------|-------------------|
| Intangible assets   | 434,163           | 433,707           |
| Property, plant and equipment                               | 928,558           | 882,520           |
| Other financial assets                                      | 30,823            | 31,022            |
| Investments in associates                                   | 118,417           | 126,344           |
| Non-current derivative financial instruments                | 18,253            | 17,126            |
| Deferred tax assets   | 33,368            | 26,076            |
| <b>TOTAL NON-CURRENT ASSETS</b>                             | <b>1,563,582</b>  | <b>1,516,795</b>  |
| Inventories and work in progress                            | 462,461           | 429,071           |
| Trade and other receivables                                 | 797,047           | 790,321           |
| Tax receivable  | 36,469            | 24,619            |
| Current derivative financial instruments                    | 6,948             | 3,657             |
| Other current financial assets                              | 12,466            | 18,394            |
| Cash and cash equivalents                                   | 430,824           | 371,088           |
| <b>TOTAL CURRENT ASSETS</b>                                 | <b>1,746,215</b>  | <b>1,637,150</b>  |
| Assets held for sale or relating to discontinued operations | 938               | 948               |
| <b>TOTAL ASSETS</b>   | <b>3,310,735</b>  | <b>3,154,893</b>  |

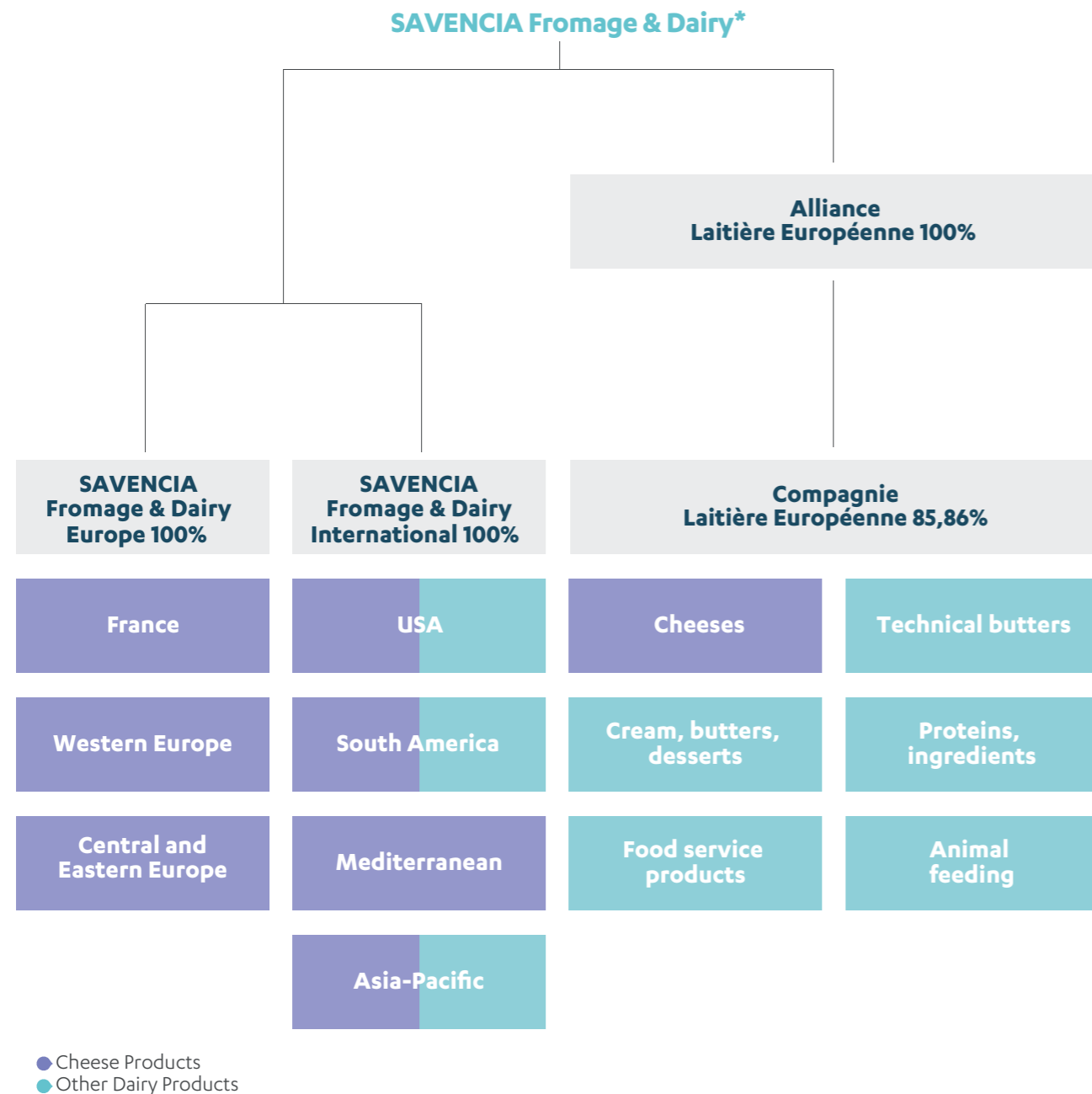
### EQUITY AND LIABILITIES

| <i>In thousands of euro</i>                                      | December 31, 2016 | December 31, 2015 |
|--|-------------------|-------------------|
| Paid-in capital  | 86,956            | 94,165            |
| Reserves   | -12,835           | -23,901           |
| Retained earnings  | 1,186,253         | 1,100,881         |
| <b>GROUP SHARE OF EQUITY</b>                                     | <b>1,260,374</b>  | <b>1,171,145</b>  |
| Non-controlling interests  | 101,312           | 99,731            |
| <b>TOTAL EQUITY</b>  | <b>1,361,686</b>  | <b>1,270,876</b>  |
| Provisions   | 110,609           | 106,540           |
| Non-current financial borrowings                                 | 196,573           | 193,439           |
| Other non-current liabilities                                    | 36,204            | 28,401            |
| Non-current derivative financial instruments                     | 6,559             | 6,847             |
| Deferred tax liabilities   | 52,579            | 56,698            |
| <b>TOTAL NON-CURRENT LIABILITIES</b>                             | <b>402,524</b>    | <b>391,925</b>    |
| Trade and other payables   | 932,687           | 892,460           |
| Tax payable  | 14,652            | 12,130            |
| Current derivative financial instruments                         | 3,793             | 1,193             |
| Bank borrowings  | 595,347           | 585,846           |
| <b>TOTAL CURRENT LIABILITIES</b>                                 | <b>1,546,479</b>  | <b>1,491,629</b>  |
| Liabilities held for sale or relating to discontinued operations | 46                | 463               |
| <b>TOTAL LIABILITIES</b>   | <b>1,949,049</b>  | <b>1,884,017</b>  |
| <b>TOTAL EQUITY AND LIABILITIES</b>                              | <b>3,310,735</b>  | <b>3,154,893</b>  |

## CONSOLIDATED STATEMENT OF CASH FLOWS

| <i>In thousands of euro</i>  | 12 months       |                 |
|--|-----------------|-----------------|
|  | 2016            | 2015            |
| Net income from discontinued operations or in process of sale                                      | -               | 41              |
| Net income from continuing operations  | 111,947         | 62,020          |
| Income tax expense   | 47,693          | 39,203          |
| Depreciation and amortization  | 125,267         | 119,372         |
| Gains and losses on disposal of assets   | 1,959           | 15,532          |
| Group share of results of associates   | -6,715          | -8,936          |
| Net financial expense  | 11,517          | 20,166          |
| Other non-cash income and expense  | 10,842          | 5,150           |
| <b>Gross operating margin</b>  | <b>302,510</b>  | <b>252,507</b>  |
| Interest paid  | -20,018         | -28,304         |
| Interest received  | 8,869           | 8,072           |
| Income tax paid  | -64,480         | -39,596         |
| Change in working capital  | -10,788         | 42,078          |
| <b>Net cash flow from operating activities for continuing operations</b>                           | <b>216,093</b>  | <b>234,757</b>  |
| <b>Net cash flow from operating activities for discontinued operations or in process of sale</b>   | <b>-</b>        | <b>-19</b>      |
| <b>NET CASH FLOW FROM OPERATING ACTIVITIES</b>   | <b>216,093</b>  | <b>234,738</b>  |
| Acquisition of subsidiaries, operating units and non-controlling interests                         | -               | -55,890         |
| Disposal of businesses net of the cash transferred   | 13,564          | 44,364          |
| Purchase of tangible and intangible non-current assets   | -180,323        | -157,671        |
| Proceeds from disposal of assets   | 13,576          | 2,775           |
| Acquisition/disposal of financial assets and changes in other current financial assets             | 3,391           | 6,057           |
| Dividends received (including dividends received from associates)                                  | 1,272           | 13,777          |
| <b>Net cash flow from investment associated with continuing operations</b>                         | <b>-148,517</b> | <b>-146,588</b> |
| <b>Net cash flow from investment associated with discontinued operations or in process of sale</b> | <b>-3</b>       | <b>-</b>        |
| <b>NET CASH USED IN INVESTING ACTIVITIES</b>   | <b>-148,520</b> | <b>-146,588</b> |
| <b>Net cash flow from financing activities</b>   | <b>-</b>        | <b>-</b>        |
| Purchase of treasury shares  | -7,211          | -775            |
| Share capital increase paid by non-controlling interests   | -               | 1,678           |
| Movements on the share capital of associates   | -               | 380             |
| Proceeds of borrowings   | 130,824         | 8,307           |
| Repayment of borrowings  | -39,829         | -179,554        |
| Dividends paid   | -16,539         | -16,538         |
| <b>Net cash flow from financing activities for continuing operations</b>                           | <b>67,245</b>   | <b>-186,502</b> |
| <b>Net cash flow from financing activities for discontinued operations or in process of sale</b>   | <b>-</b>        | <b>-</b>        |
| <b>NET CASH FLOW FOR FINANCING ACTIVITIES</b>  | <b>67,245</b>   | <b>-186,502</b> |
| Impact of foreign exchange differences   | 8,535           | 17,393          |
| <b>Net change in cash and cash equivalents</b>   | <b>143,353</b>  | <b>-80,959</b>  |
| Reclassification of cash and cash equivalents for discontinued operations or in process of sale    | 216             | -               |
| <b>OPENING CASH AND CASH EQUIVALENT</b>  | <b>247,222</b>  | <b>328,182</b>  |
| <b>CLOSING CASH AND CASH EQUIVALENT</b>  | <b>390,792</b>  | <b>247,222</b>  |

# SIMPLIFIED GROUP STRUCTURE



\* SAVENCIA Fromage & Dairy is the trade name of SAVENCIA SA.

# GRI & GRENELLE II EQUIVALENCE TABLE

## I. SOCIAL PERFORMANCE

| GRI G4                              | GRENELLE II - Decree dated 04/24/2012 |   |       |
|-------------------------------------|---------------------------------------|---|-------|
|                                     | <b>I.a)</b>                           | <b>Employment</b>   |       |
| G4-9                                | I.a) 1.1                              | Total employees   | p. 58 |
| G4-10 LA1 LA12                      | I.a) 1.2                              | Split of employees by sex   | p. 59 |
| LA1 LA12                            | I.a) 1.3                              | Split of employees by age   | p. 59 |
| G4-10 LA1 LA12                      | I.a) 1.4                              | Split of employees by geographical zone   | p. 58 |
| EC6 LA1                             | I.a) 2.1                              | Hires   | p. 61 |
| LA1                                 | I.a) 2.2                              | Terminations  | p. 61 |
| G4-51* G4-52* G4-53* G4-54* EC1 EC5 | I.a) 3.1                              | Compensation  | p. 62 |
| G4-55*                              | I.a) 3.2                              | Evolution of compensation   | p. 62 |
|                                     | <b>I.b)</b>                           | <b>Organization of work</b>   |       |
| -                                   | I.b) 1                                | Organization of working hours   | p. 59 |
| G4-LA6                              | I.b) 2                                | Absence   | p. 60 |
|                                     | <b>I.c)</b>                           | <b>Labor relations</b>  |       |
| LA4                                 | I.c) 1                                | Organization of labor relations and procedures for the information of, negotiation with and consultation of personnel | p. 62 |
| -                                   | I.c) 2                                | Collective bargaining agreements  | p. 62 |
|                                     | <b>I.d)</b>                           | <b>Health and safety</b>  |       |
| LA5                                 | I.d) 1                                | Conditions of health and safety at work   | p. 61 |
| LA8                                 | I.d) 2                                | Agreements relating to health and safety at work signed with trade unions or employee representatives                 | p. 62 |
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## II. THE ENVIRONMENT

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\* Indicators providing a partial response to the issue.

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