FrieslandCampina
nourishing by nature

CSR Report 2014

Royal FrieslandCampina N.V.

FrieslandCampina Indonesia and a supermarket chain have jointly launched a fundraising campaign for 25,000 Indonesian school children. This initiative is being publicised in Indonesia via the Red Cross. The objective of this programme is to combat the spread of infectious diseases among school children. Infections are transmitted via the air, food and water. The programme encourages children to live healthier lives.

Explanatory notes

In this CSR Report Royal FrieslandCampina N.V. presents the results and most important developments in the field of Corporate Social Responsibility (CSR) in 2014. The 2014 CSR Report has been compiled in accordance with the Global Reporting Initiative (GRI G4 Core) guidelines and the Transparency Benchmark criteria.
This report, together with the information on www.frieslandcampina.com forms FrieslandCampina's CSR reporting.

Please send any questions, remarks or suggestions resulting from this CSR Report to: corporate.communication@frieslandcampina.com.

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Foreword

Dear reader,

During 2014 a number of, in my opinion, significant results were achieved in the sustainability field. One important achievement was the major step towards sustainable dairy farming taken by our member dairy farmers with *Foqus planet*. We also achieved concrete innovations in energy saving and the use of sustainable energy generated within our own chain, which has led to a reduction in CO_2 emissions. At the beginning of the chain we have taken the next steps in the purchase of sustainably-produced agricultural raw materials such as soy, palm oil, cocoa, paper, tropical fruit and sugar. I have also seen improvements in the way sustainability is integrated into our marketing, throughout the entire supply chain, by human resources and by Green Teams at operating companies. Sustainability is now embedded even more firmly in our procedures for investment requests, our day-to-day management and in our variable remuneration policy. In a nutshell: our sustainability programme has been broadened and deepened!

Our mission, Nourishing by nature, is clearly accelerating the safeguarding of sustainability and the creation of social added-value. It reflects the broadly-supported ambition of our people to make a meaningful contribution, for example towards the support and training small farmers in Asia and Africa, as well as our goal of guaranteeing food and nutrient security for the world's fast-growing population. We supply products that contain essential nutrients, such as proteins, vitamins and minerals to millions of people around the world. We also produce our dairy in an increasingly sustainable way. This enables millions of people around the world to enjoy our dairy products on a daily basis. This thought, this mission, enthuses many people and gives them wings.

I think we have also found a good balance in sustainability programmes aimed at limiting our environmental impact (CO_2 emissions, water usage and waste) and at solving social issues, such as undernourishment and obesity among young people. Are we completely on schedule regarding the achievement of our CSR goals? Certainly not for all of them. Achieving climate-neutral growth throughout our chain, for example, is not a simple task. Sitting back is not, however, an option: the growth-spurt must happen now. We must upscale further and expand sustainability to such an extent that it is woven into the microfibers of our organisation. The basis is there. Now we can accelerate.

This is my last foreword in FrieslandCampina's annual CSR Report. Looking back I am proud that our employees and member dairy farmers have enthusiastically embraced sustainability as a component of our strategy. This has enabled us to make major strides. Since the merger in 2009 FrieslandCampina has played a trend-setting and leading role in the international dairy sector and chain, whereby employees and managers have shown tenacious leadership. I, personally, have had seven glorious years with this company. I see that the focus on the integral embedding of sustainability has now safeguarded the continuity of the theme. This robustness is the achievement of all the involved employees and member dairy farmers and instils every confidence for the future of FrieslandCampina.

Cees 't Hart
CEO Royal FrieslandCampina N.V.

Dear reader,

2014 will go down in the records as an exceptionally dynamic year for our markets and operations. It was also the final year in the run-up to the lifting of the EU milk quota on 1 April 2015. In preparation for a definitive dairy cattle law, during 2014 the politicians in The Hague and social interest groups discussed meadow grazing, land-based growth and the approach to the phosphate surplus. As FrieslandCampina we, together with other parties in the dairy industry, are pushing for a responsible growth of dairy farming. Our starting point in this respect is the land-based family business that maintains meadow grazing. Our *Foqus planet* quality and sustainability system is making a major contribution towards the achievement of this goal within the environmental preconditions.

I am convinced that with the preparation of the revised *Foqus planet* programme in 2014 we have taken a crucial step towards safeguarding quality and sustainability on our dairy farms. *Foqus planet* provides us with concrete goals and commitments in respect of meadow grazing. We want 81 percent of our member dairy farmers to comply with this. This goal has certainly presented us, as dairy farmers and as the dairy sector, with a number of challenges and, therefore, has led to internal discussions. The outcome of these discussions is that we are making additional money available in order to draw everyone's attention to solutions and concrete contributions; the meadow grazing payment per 100 kilos of milk has increased from 0.50 euro to 1.00 euro. With this investment we are working on increasing the internal support for meadow grazing.

Another important aspect of *Foqus planet* is the firming-up of the goals related to sustainable dairy farming: animal health & welfare, biodiversity & the environment and, finally, climate & energy. The results, in the form of indicators, have been made very clearly measurable. In this way we have moved from a system with which we stimulate sustainability efforts (in the first three years of *Foqus planet*, 2012-2014) to a system with which, in the coming three years, we will financially reward sustainability results (from 2015-2017). The reward for meadow grazing and sustainability will rise to 10,000 euro, for an average dairy farm.

The member dairy farmers are, therefore, making exceptional efforts to deliver their contribution towards more sustainable milk and dairy for FrieslandCampina. Now it is up to the FrieslandCampina company and its employees to ensure that, with all the extra efforts in the field of quality, transparency and sustainability throughout our entire chain 'from grass to glass', we will really be able to make the difference in the market.

I am very aware that the ambitious goals we have set ourselves, especially in combination with the anticipated increase in milk production due to the lifting of the EU milk quota, mean that together we have a lot to do. But the basis for further innovation and development, stringent safeguarding of quality throughout the chain and improved performance in the field of sustainability we have laid down in recent years is extremely valuable. The construction of a database for the KringloopWijzer (Dairy Sustainability Loop) and the collection of reliable and comparable information regarding the sustainability performance at the dairy farms will certainly provide new, useful insights with which we will take extra steps forward towards achieving our ambitious goals.

Piet Boer
Chairman Zuivelcoöperatie FrieslandCampina U.A.

Key figures

in millions of euros unless stated otherwise

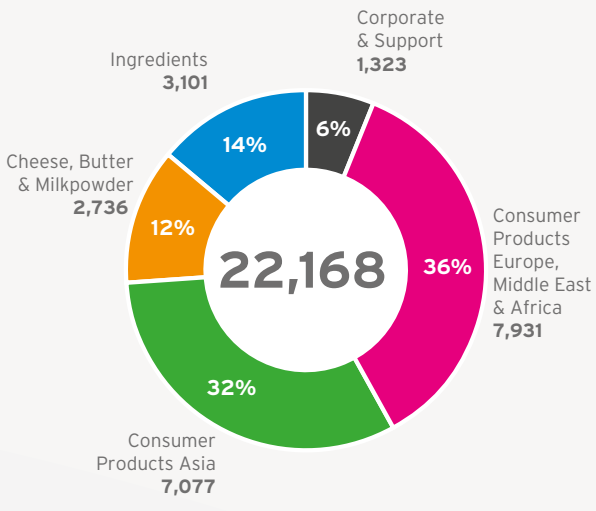
	2014	2013
Results		
Revenue	11,348	11,281 [1]
Operating profit before one-time items [2]	412	513
Operating profit before one-time items and currency translation effects	458	513
Operating profit	489	313
Profit without one-time items	258	327
Profit without one-time items and currency translation effects	284	327
Profit	303	157
Consolidated statement of financial position		
Total assets	7,676	7,112
Equity	2,823	2,631
Net debt [3]	981	696
Total equity as a percentage of total assets	36.8	37.0
Cash flow		
Net cash flow from operating activities	545	588
Net cash flow from investing activities	-618	-576
Investments		
Investments	656	559
Value creation for member dairy farmers		
in euro per 100 kilos of milk (excl. VAT, at 3.47% protein, 4.41% fat and 4.51% lactose)		
Guaranteed price	39.38 [4]	39.45
Performance premium	1.86	1.81
Meadow milk premium	0.29 [5]	0.31
Special supplements [6]	0.10	0.10
Cash price	41.63	41.67
Reservation of member bonds	1.07	1.23
Milk price	42.70	42.90
Interest on member bonds	0.42	0.37
Retained earnings	1.93	0.45
Performance price	45.05	43.72

[1] Net revenue for 2013 has been adjusted due to a change in the accounting policy regarding advertising and promotion costs. This has not affected operating profit.
[2] One-time items are a pension income of 131 million euro, a book profit of 20 million euro as a result of the fire in Gerkesklooster and an expense of 20 million euro as a result of the announced closing of the production facility in Belgium in 2014 and a goodwill impairment in 2013.
[3] Net debt concerns non-current interest-bearing obligations, obligations to lenders, the net of obligations to and receivables from associated companies minus cash and cash equivalents available for use.
[4] The net guaranteed price of 39.29 euro and a settlement of 0.09 euro for the too low estimate over 2014.
[5] Member dairy farmers who put their cows out in the meadow receive a meadow milk premium of 0.50 euro per 100 kilos of milk over 2014. Averaged over all FrieslandCampina member milk this is 0.29 euro per 100 kilos of milk.
[6] Special supplements concerns the total amount paid out per 100 kilos for Landliebe milk (1.00 euro) and the difference between the organic milk guaranteed price (49.52 euro) and the guaranteed price. Averaged over all FrieslandCampina member milk this amounts to 0.10 euro per 100 kilos of milk.
[7] Due to the change in the internationally-agreed IPCC-values (Inter-governmental Panel on Climate Change), the CO_2 equivalent values in this Sustainability Report are not the same as those reported for the 2013 reporting year.

	2014	2013
Employees (average number of FTEs)	22,168	21,186
Of which male	16,471	15,890
Of which female	5,697	5,296
Accident ratio per 200,000 hours worked (LTA Rate)	0.33	0.62
Products with the Choices logo	149	151
Number of member dairy farms at year end	13,696	13,887
Number of member dairy farmers at year end	19,054	19,244
Total milk processed (in millions of kilos)	10,716	10,659
Milk supplied by member dairy farmers (in millions of kilos)	9,453	9,261
Total energy usage for milk processing in the production (TJ)	20,844	20,535
Energy usage per ton of product (GJ/ton)	3.41	3.24
CO_2 emissions raw milk (member dairy farmers) (Kton CO_{2eq}) [7]	12,029	11,826
CO_2 reduction through the use of renewable energy (Kton CO_{2eq}) [7]	-161	-105
Total CO_2 emissions from FrieslandCampina (Scope 1,2 & 3) (Kton CO_{2eq}) [7]	17,259	17,605
Total water usage (m^3 x 1000)	28,718	26,674
Water usage per ton of product (m^3/ton)	4.62	4.40
Total quantity of waste excluding water treatment sludge (ton)	58,033	52,012
Percentage re-used or recycled waste	66	65
Purchased percentage of sustainably generated electricity the Netherlands	91	63
Purchased percentage of sustainably generated electricity worldwide	45	31

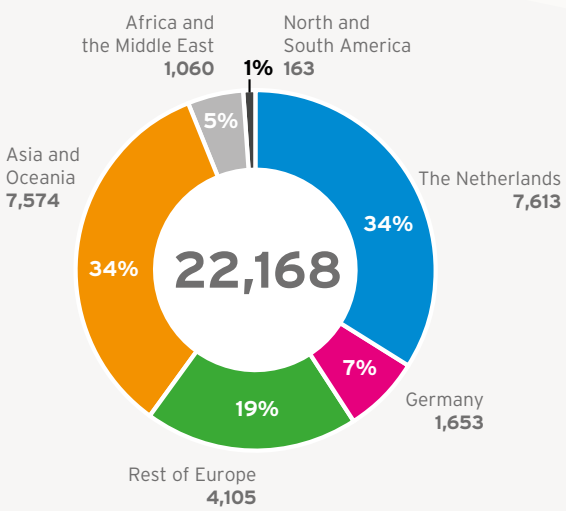
Employees per business group 2014

(average number of FTEs)



Employees per region 2014

(average number of FTEs)



Global challenges

By 2050 the world's population is expected to have grown to over nine billion people 70 percent of whom will live in large cities. Feeding this growing population will be an enormous challenge and has implications for people, animals and the environment. How can enough affordable, nutritious and energy-rich food be produced? Fertile land and clean drinking water are already scarce in some regions and the pressure on the environment will only increase. And even if the availability of land and water is not a problem, will there still be enough farmers to produce our daily food? And will they be able to earn enough to sustain themselves and their families?
FrieslandCampina sees three global challenges towards which it can, thanks to its activities, make a contribution.

The growing world population

- Feeding the world's growing population
- The availability of sufficient nutritious and energy-rich food and the affordability of food for a wide range of population groups
- Maintaining food safety and consumers' trust

Enough farmers to produce food

- Ensuring young people are interested in becoming farmers by offering good prospects for the future and, by so doing, responding to the fast-rising average age of farmers
- Farmers must be able to earn enough to allow responsible business operations and the creation of a positive future for themselves and their children
- Worldwide 750-900 million people depend on the dairy farming sector for their income

A scarcity of natural resources

- Responding to the increasing scarcity of land, water and other natural raw materials by producing more efficiently
- Reducing CO_2 emissions and making more use of renewable energy
- Contributing towards the retention of biodiversity

Nourishing by nature

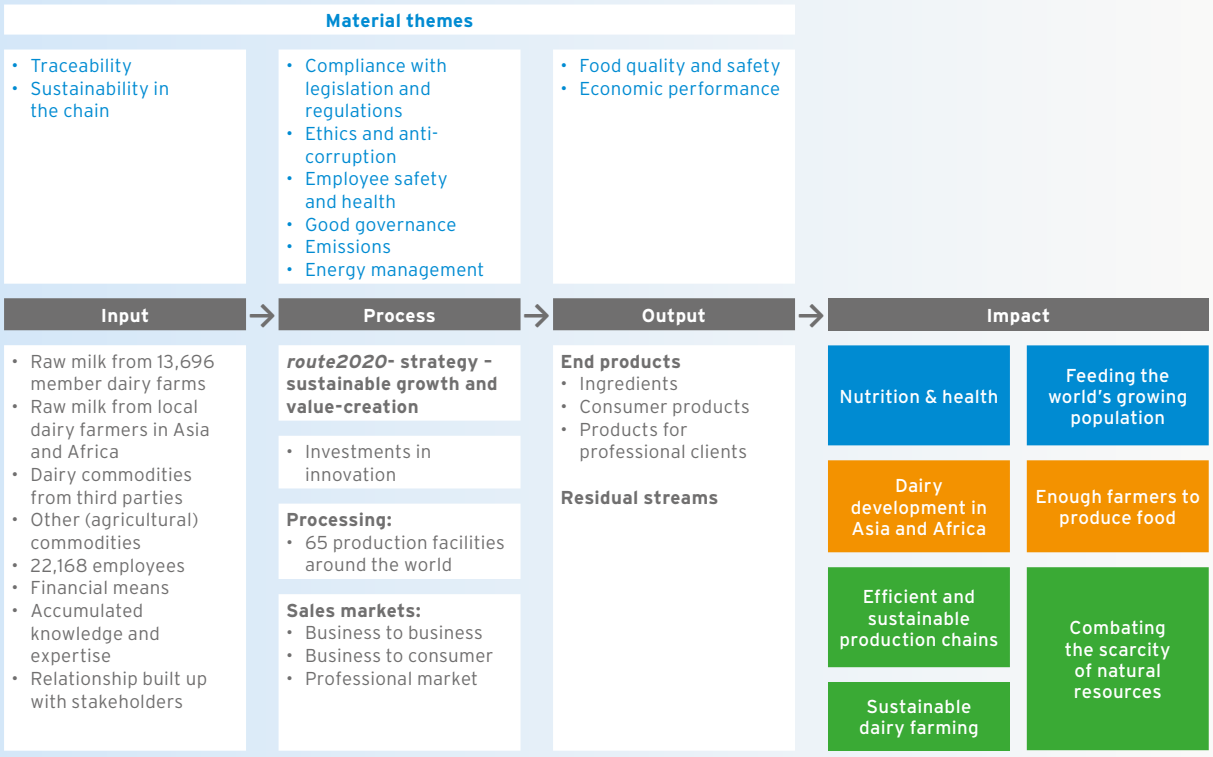
Providing people around the world with the right nutrition is the challenge. Milk, by nature, contains essential nutrients, such as proteins, vitamins B2 and B12 and minerals such as calcium. By offering trustworthy and tasty dairy products FrieslandCampina is contributing towards safeguarding food and nutrient security. FrieslandCampina is also striving to limit the pressure on natural resources and the environment.

Every day millions of consumers around the world enjoy FrieslandCampina's innovative and tasty dairy products. FrieslandCampina brings the best of two worlds together by combining the professionalism and entrepreneurship of its member dairy farmers with the (international) expertise, customer-orientation and experience of the Company and its employees.

FrieslandCampina is committed to high standards in the field of food safety, the personal safety of its employees, quality, sustainability and transparency throughout the entire production chain: 'from grass to glass'. This lays the foundations for customer and consumer trust in the products and safeguards the continuity that is the hallmark of the Cooperative.

FrieslandCampina believes in shared values: the simultaneous achievement of a good income for the member dairy farmers, added-value for customers and consumers, and personal growth and career perspectives for the employees. FrieslandCampina is also a valuable asset for the communities in which it operates. This is how opportunities are created and perspectives are offered to all stakeholders.

FrieslandCampina value chain



Notes to the value chain

FrieslandCampina wants to contribute towards feeding the world's population on the basis of the three formulated challenges. The four pillars of the sustainability policy substantiate the concept of sustainably produced dairy.
Input: To be able to produce sustainably three input factors are required: raw materials (milk and other raw materials), capital and labour. FrieslandCampina also invests in relations with stakeholders, such as member dairy farmers, suppliers, the government and social organisations.
Process: In the production process dairy products are produced on the basis of the applied sustainability criteria.
Output: The end products contribute towards the daily diet of millions of consumers.
At the end of the production process residual waste streams also remain. Attention is paid to reducing and reusing these waste streams.

FrieslandCampina is committed to meeting high standards throughout the value chain: 'from grass to glass'. Most of the milk used to produce FrieslandCampina's products comes from the nearly 14,000 member dairy farms and local dairy farmers in Asia and Africa. There are also suppliers of other (agricultural) raw materials and other materials. In addition to financial capital the production involves the labour of FrieslandCampina's over 22,000 employees and the Company invests in knowledge and innovation. Many years of experience in dairy production has resulted in knowledge and expertise in many fields including healthy nutrition and dairy farming.

To create value in the chain and for all stakeholders the *route2020* business strategy was drawn-up. The ambition is to create the most successful, professional and attractive dairy company for member dairy farmers, employees, customers, consumers and society by offering people around the world essential nutrients from dairy products for every phase of their life.

Each priority area has a number of long-term goals for 2020 and related KPIs. Each year the progress related to these KPIs is reported. For the goals and results per priority see the respective sections in this CSR Report.

Outlook 2015

With the implementation of *route2020* sustainability moved higher up the agenda throughout the entire FrieslandCampina chain and became a more integral component of the various operating disciplines, such as purchasing, supply chain, marketing, HR and R&D. The considerable enthusiasm with which our employees, especially the younger ones, want to take this theme further is significant. However, what took us from 2010 to 2014 will not take us from 2015 to 2020 and the achievement of all our sustainability goals. To do that we must go even faster, come up with even smarter innovations and try even harder to make a great leap forwards. That is the challenge in 2015.

In 2015 the innovative steps aimed at achieving climate-neural growth FrieslandCampina has taken in recent years are becoming evident. This important commitment of FrieslandCampina was made public in 2010 with the introduction of the *route2020* growth strategy. According to research by the United Nation's Food and Agriculture Organization, worldwide the dairy sector is responsible for 2.9 percent of the climate-change problem. FrieslandCampina wants to reduce its CO_2 footprint per ton of end product through innovative measures. In this context, in 2015 the milestone of 100 percent green electricity will be reached for all the FrieslandCampina production facilities and offices in the Netherlands. Around half of this green energy will be generated (from solar, wind and biomass) on the member dairy farms. Sustainable and climate-friendly alternatives for natural gas, such as pyrolysis oil (wood oil) and biogas (from manure, sewage sludge and organic waste), supply the energy for two dairy factories in the Netherlands. In addition to its first, now two years old, wind farm (the Van Gogh in North Brabant), FrieslandCampina is now investigating the possibility of installing wind turbines at several production facilities. To reduce greenhouse gas emissions FrieslandCampina is also implementing various measures on the dairy farms, for example the roll-out of the KringloopWijzer (Dairy Sustainability Loop), the testing of various technologies for the mono-fermentation of manure and efforts to lengthen the life of dairy cattle. Concrete steps are now also being taken in the field of biodiversity. In a nutshell, 'energy and climate' remain important themes for FrieslandCampina and collaboration with other companies active in fields including waste processing, energy, consultancy, transport and water treatment, as well as with governments, is definitely making the difference.

The active involvement of the members has been safeguarded through *Foqus planet* and the system for rewarding member dairy farmers for achieved sustainability results. The task now is to raise the involvement of the 22,000 employees in the CSR programme to a higher level. Towards this end, in cooperation with the global HR network, a plan called 'Nourishing by nature; Making it happen' has been developed. This plan includes the establishment of Green Teams in every FrieslandCampina facility worldwide. FrieslandCampina is also striving to deploy employees as volunteers for the social partners of our CSR programme, such as the Dutch Red Cross, Agriterra and food banks. In this way we can work with concerted strength to achieve our goals, for example for energy and water efficiency, waste reduction, climate-neutral growth, combating malnutrition and the transfer of knowledge to small farmers in Asia and Africa.

The implementation of a robust system of CSR data collection throughout FrieslandCampina's entire dairy chain – and managing and verifying the data – is continuing to be paid considerable attention in 2015. This supports the integration of CSR in every part of the organisation. Together with others, including auditors, an ambitious schedule has been drawn-up so that at the end of 2017 reporting over both financial and sustainability results can be integrated. This is a major task for a company that combines nearly 14,000 dairy farms of members of the Cooperative in the Netherlands, Germany and Belgium with over 65 production facilities in 32 countries. But this quality action is necessary to enable both Annual Reports to be integrated and verified by an auditor.

Frank van Ooijen
Corporate Director Communication, Sustainability Affairs en FrieslandCampina Institute

On 10 June 2014 FrieslandCampina met with stakeholders at a farm in order to discuss the ambitions and challenges for a sustainable dairy sector and seek solutions. A live-stream ensured the widest possible number of stakeholders was involved.

Nutrition & health

Milk is by nature a very nutritious product. It contains essential nutrients, such as proteins, vitamins B2 and B12, and minerals such as calcium. By offering reliable, tasty and healthy dairy products FrieslandCampina is contributing towards the world's food and nutrient security. Milk and milk-based products provide important nutrients for every phase of life: for children for healthy growth, for sportsmen and women to help muscles recover, and for older people due to the high concentration of nutrients per calorie. FrieslandCampina also wants to help reduce the growing number of people who are overweight, especially children. FrieslandCampina is doing this by improving the composition of its products, through providing information about healthy eating and a healthy lifestyle and by making it easier for the consumer to select healthy food.

Nutrition & health

	Goal for 2020	KPI	Result 2014	Actions 2015
	To reduce the sugar, salt and fat content in FrieslandCampina products and thus contribute towards a healthy diet.	**Consumer products (recpies in combination with a packaging unit) on the market for which FrieslandCampina is the brand owner (logo or name on the packaging) that comply with the dietary guidelines.**	Actieplannen voor het naleven Action plans for complying with the new dietary guidelines drawn-up for Asia, Africa and the Middle East. Monitoring programme set up for reporting compliance with the dietary guidelines. • 149 products with the Tick/Choices logo, this is in line with 2013. • Salt reduction in cheese: adjustment of production process for next step completed. • The focus was on reducing the sugar in fruit juices and drinks in the Netherlands.	Implementation of the action plans for Asia, Africa and the Middle East. Based on the evaluation a single global nutrition scheme (dietary guidelines) for FrieslandCampina will be developed, based on internationally-accepted criteria, with goals for 2020. The monitoring programme will be adapted to this so that progress can be measured. Implementation of new action plans for Russia and Germany.
	Deploying knowledge and products in the approach to malnutrition.		The knowledge gained from the SEANUTS nutrition survey translated to countries in Africa.	Together with NGOs and other partners set-up research into the nutritional status in a pilot country in Africa.
	The presentation of the nutritional composition of FrieslandCampina's products in conformance with the Company's new standard. **Responsible marketing aimed at children to promote a healthy diet in conformance with the updated Company standard.**	**The number of packagings that comply with the Company's new 'Nutrition information' standard.**	Designs to bring all packaging in-line with the Company's new labelling standard approved and implementation started. Active participation in the EU Pledge and Singapore Advertising Code in respect of responsible advertising aimed at children. The Company's new 'Responsible marketing communications' standard for marketing aimed at children and its implementation process approved.	Further implementation of the new Company standard for labelling with the goal of all packaging within this scope being amended by the end of 2016. Further implementation of the Company's 'Responsible marketing communications' standard for responsible marketing aimed at children.
	To stimulate children to live a healthy life through information and education about a healthy diet and exercise.	**The number of children who have participated in a FrieslandCampina (endorsed) education programme about healthy eating and exercise.**	More than 10 million children reached with information about healthy eating and education about a healthy diet via e.g. World Milk Day, School milk, Drink.Move.BeStrong and local initiatives.	Set-up a global programme with guidelines for the information provision and a blueprint for global application.
	To offer help with nutrition during disasters.		Further expansion of the partnership with the Dutch Red Cross. Expansion of the Disaster Relief Partner Programme – in cooperation with the Dutch Red Cross – to include Namibia.	Continue and expand current cooperation projects. Formulate a strategy for the starting of more initiatives around the world. Formulate a strategy for continuing after the Disaster Relief Partner Programme ends in 2015.

Clarification of 2014 results

Goal for 2020: To reduce the sugar, salt and fat content in FrieslandCampina products and thus contribute towards a healthy diet

In 2014 action plans, including goals based on dietary guidelines, were formulated for Asia, Africa and the Middle East and a monitoring programme for the reporting of progress was set-up. These action plans are being implemented in 2015. In 2015 FrieslandCampina will also evaluate the dietary guidelines, develop a global dietary plan and formulate goals for 2020. Progress will be measured via the monitoring system and FrieslandCampina will focus on improving the quality of the information regarding compliance with the guidelines.

The Tick & Choices make making a healthy choice easier

FrieslandCampina is one of the initiators of the Ik Kies Bewust (Choices) International Foundation. The criteria are a fixed component of the FrieslandCampina dietary guidelines. In 2014 FrieslandCampina's Dutch range included a total of 149 products with the Tick logo. This is the same number of products as in 2013. Valess no longer qualifies for the logo due to amendments to the criteria. Brands with all current and future products that meet the Tick criteria are Optimel, Vifit, GoedeMorgen, DubbelFrisss, Fristi, Slankie, Milner, Yoki and Taksi.

Reduced sugar in products: focus on beverages

Reducing sugar content is a key area of interest at the moment. The World Health Organisation (WHO) has called for a reduction in the consumption of free sugars. By free sugars the WHO means added sugars, for example in the form of glucose, sucrose or fructose, and sugars that naturally occur in honey and fruit juice or syrup. The WHO does not include the natural sugars in milk and fresh fruit.

FrieslandCampina has been working on reducing the sugar content of its products for many years. In part thanks to the dietary guidelines for luxury, basis, health and children's products, all health and children's products in the Netherlands now meet the Tick criteria (maximum 5 grams of added sugar per 100 ml). In 2014 FrieslandCampina worked on reducing the sugar in its fruit juices and fruit drinks such as Appelsientje's Dubbeldrank and Multivitamientje (see box on page 18).

Sabine van den Berg, Dietitian with Zorggroep Noord-West Veluwe:

> *"Older people who have a less healthy diet and exercise less are particularly likely to lose muscle mass. Older people often also eat less meat, which has a negative effect on their protein intake. Dairy is a good alternative. Dairy products contain many good nutrients (such as protein and calciu) that answer the needs of older people."*

In 2014 FrieslandCampina worked on the setting-up of a monitoring system that will enable compliance with the dietary guidelines to be determined. In Europe 73 percent of all basis, health and children's product meet the sugar criteria of Food Profiler (maximum 12.5 grams of added sugar per portion) or Choices (maximum 5 grams of added sugar per C100 ml/g).

In 2015 the focus as far as sugar reduction is concerned will be on Russia and Germany.

As soon as the CSR Board approved the Company's new nutrition information standard, work on the implementation process began. The first packagings have already been amended. The front carries the Choices logo and a logo that indicates the energy value per portion. The nutritional value table on the back now shows the nutrition value both per 100g/ml and per portion as well as the contribution of the nutrients towards the daily recommended consumption.

Sugar reduction 2009-2014

FrieslandCampina products in which the sugar content has been reduced since 2009

	Total suger		
	Old g/100ml	New g/100ml	Sugar reduction
Fristi	14	8	43%
Yoki	11.2	7.8	30%
Taksi Splash	10	7	30%
Extran Refresh	7.1	5	30%
Extran Energy	13	9.4	28%
DubbelFrisss	8.7	6.5	25%
Taksi	10.3	7.9	23%
Vifit	9.8	8.1	17%
Appelsientje Nectaren	9	7.5	17%
Appelsientje Multivitamientje	8.8	7.4	16%
Appelsientje DubbelDrank	12.5	10.6	15%
GoedeMorgen! Drink	9.7	8.4	13%
Campina Fruitmelk	9.9	9.2	7%

Salt reduction: focus on cheese

FrieslandCampina has been taking steps to reduce the salt level in cheese for a number of years. Between 2007 and 2010 an average reduction of 14 percent was achieved in Goudse 48+ cheese. As a participant in the Dutch Dairy Organisation's Salt Reduction Task Force, an average reduction of 10 percent in Goudse 48+ cheeses in the period 2010-2015 is on the agenda. To achieve this salt reduction, while retaining the taste, quality and shelf-life, the brine stage in the cheese production process has been adjusted. The preparations for this were carried out in 2014. In Romania work on the reduction of the salt level in soft white cheese was carried out in 2014 and resulted in reductions of between 14 and 25 percent.

Fats: more choice options

The dairy sector has been working on a broad product portfolio with a range of fat contents. FrieslandCampina is playing an active role in this, for example by developing products containing less fat.

Learned when young, done when old
In 2014 the 'If the basis is good' project was rolled out. Professionals drew attention to the importance of a healthy basic diet for children aged between one and seven. One important component was the 'Jong geleerd is oud gedaan' ('Learned when young, done when old') congress organised by the FrieslandCampina Institute. The theme of the Congress was the importance of instilling healthy eating patterns in young children for health later in life. Around 500 professionals participated.

FrieslandCampina Institute
FrieslandCampina provides consumers and health professionals not only with meticulous information regarding the composition of products but also with general information about a healthy diet. The FrieslandCampina Institute is the knowledge centre for science based information for scientists and health professionals in the field of dairy, nutrition and health. In 2014 many materials professionals can use during their discussions with parents were developed. In total around 10,500 professionals were reached during 2014.

Goal for 2020: Deploying knowledge and products in the approach to malnutrition.
Survey of the nutritional status of children: from Asia to Africa
Via the SEANUTS (South East Asia Nutrition Survey) survey, FrieslandCampina, scientists, NGOs and universities charted the nutritional status of nearly 17,000 children in Malaysia, Indonesia, Thailand and Vietnam. The goal was to be able to better match advice, research and products to the nutritional needs of these children.

In 2014 SEANUTS resulted in various publications and presentations at congresses of the Food Security Summit Asia 2014, including the Aid International Development Forum. How the SEANUTS data can be used to evaluate current nutrition and health programmes and set-up new programmes that follow the example of this public-private cooperation was also discussed. In practice the results of SEANUTS have already been applied to tune products more effectively to children's nutritional needs.

Eat right be active-campaign in the Middle East
On World Milk Day 2014 FrieslandCampina Middle East launched the Eat right be active-campaign during the very busy Book Fair in Sharjah in the United Arab Emirates. During the day FrieslandCampina organised various activities with the goal of drawing children's attention to a healthy diet and drinking milk. The Book Fair brought together 300,000 people from all over the United Arab Emirates, including many children.

Goal for 2020: The presentation of the nutritional composition of FrieslandCampina's products in conformance with the Company's new standard. Responsible marketing aimed at children to promote a healthy diet, in conformance with the updated Company standard.

In 2014 the Company standard for labelling and (consumer) information was approved by FrieslandCampina's CSR Board and the implementation started. The standard has already been implemented for all European FrieslandCampina products. The goal is for all packaging within the scope to be brought in line by the end of 2016.

Via the EU Pledge, Singapore's Advertising Code (in the meantime converted into legislation) and FrieslandCampina's Responsible Marketing Communications standard, FrieslandCampina is ensuring that advertising aimed at children under 12 is limited to products that comply with stringent nutritional demands. At the beginning of 2014 an updated Company standard for responsible advertising was approved by FrieslandCampina's CSR Board and agreements were made regarding the implementation.

In 2015 FrieslandCampina will continue its involvement in codes of conduct related to marketing aimed at children, such as the EU Pledge.
In Europe compliance with the agreements will take place via the EU Pledge. Outside Europe a transition period until the end of 2016 has been agreed.

World School Milk Day

Each year over 40 countries around the world celebrate World School Milk Day – an official initiative of the United Nations. In 2014 World School Milk Day in the Netherlands revolved around a visit to a farm. The primary school children and their parents were given a tour by the farmer and were even allowed to help on the farm. There was also a prize to be won: the people who produced the best group selfie won a visit to the CORPUS Experience in Leiden. Here children can see how food travels through the body and the importance of a healthy diet.

NBA and FrieslandCampina make basketball big in South-east Asia

In 2014 the National Basketball Association (NBA) and Royal FrieslandCampina entered into a long-term partnership aimed at using play and sport to stimulate children in South-East Asia to exercise more. The partnership between FrieslandCampina and the Junior NBA is one of the most important components of the Drink.Move.BeStrong campaign that stemmed from SEANUTS.

In 2014 8,000 children aged between five and 15 from 700 schools and local municipalities were reached through training clinics that taught them the basic principles of basket ball and the importance of a healthy diet. The intention is to reach 1,000 local schools and municipalities in 2015.

To promote an active lifestyle – also outside the training clinics – and extend the reach of the programme, FrieslandCampina and Junior NBA also train coaches. In 2014 FrieslandCampina and the Junior NBA trained more than 800 coaches in South-east Asia. In total this campaign reached 68 million people in South-east Asia in 2014. The aim is to increase the number of coaches further in 2015.

Goal for 2020: To stimulate children to live a healthy life through information and education about a healthy diet and exercise.

Each year FrieslandCampina reaches more than 10 million children around the world with information about a healthy diet and lifestyle. Via actions such as World Milk Day, the school milk programme, the Goodness of Dairy campaigns, JOGG (Young people at a Healthy Weight), the National School Breakfast and the B.Slim programme, parents and children receive information about a healthy diet and an active lifestyle.

In 2014 FrieslandCampina launched, in cooperation with the National Basketball Association (NBA), the Drink.Move.BeStrong campaign in Vietnam, Thailand, the Philippines, Indonesia and Malaysia. The campaign uses sport and diet as a means of stimulating children to lead an active and healthy life (see box on page 20).

Now the goal to reach 10 million children has been achieved, in 2015 FrieslandCampina is working on the further integration of the separate programmes so that as far as possible they all operate on the same principles. The goal is to develop worldwide guidelines for information provision and in this way draw-up a blueprint for the programme. The Junior NBA programme with the Drink.Move.BeStrong campaign is an example of how FrieslandCampina wants to apply the programme in other regions as well.

Goal for 2020: Offer help with nutrition during disasters

FrieslandCampina and the Dutch Red Cross extend their partnership

In 2013 FrieslandCampina and the Dutch Red Cross began a partnership for the joint development of emergency aid products and education programmes aimed at healthy eating. In 2014 this cooperation was extended further and goals were formulated for the three aims of the partnership:

- To combat hunger and malnutrition among people in need;
- To contribute towards food security;
- To strengthen the resilience of people in vulnerable situations.

In 2014 the cooperation with the Dutch Red Cross took shape in various countries. FrieslandCampina Indonesia and a national supermarket chain developed an initiative to give vulnerable children access to basic health care and information about hygiene. Since the start in March 2012 FrieslandCampina has donated nearly 700,000 euro to the Dutch Red Cross.

FrieslandCampina is a partner in Eat2Move

In 2014 the Eat2Move top centre was established. During the coming six years Eat2Move will focus on innovations around diet and exercise, in particular for top-sporters and older people. Eight organisations in the field of sport, nutrition and health are working together in the centre. The FrieslandCampina Innovation Centre in Wageningen in the Dutch province of Gelderland is one of the participating parties. Within Eat2Move researchers are developing knowledge regarding the specific dietary needs for performance and recovery. The knowledge gained is linked directly to innovation trajectories with companies in order to develop products and services for the sports and care sectors.

Partnership between FrieslandCampina and Dutch Food Banks intensified

In 2014 the cooperation between the Dutch Food banks was further intensified. As a partner of the Dutch Food Banks FrieslandCampina is, for the coming two years, assuming the logistics costs. This is enabling a better distribution of dairy products among the Dutch Food Banks. The dairy company is also making its expertise in the field of food security, quality assurance and healthy nutrition available.

In 2015 FrieslandCampina will continue with the projects that have been started, including 3FM Serious Request. The Company also plans to develop new campaigns to increase the income of the Dutch Red Cross and generate attention for socially important themes. This will include investigating the possibilities for a campaign for the Food Bank in cooperation with the Dutch Red Cross. Internationally FrieslandCampina will use the projects in Nigeria and Indonesia as examples and will develop a strategy for stimulating and facilitating new initiatives around the world. New, suitable, campaigns that will increase employees' involvement in collection activities will also be sought and shop floor ambassadors will be appointed at different levels.

Milk and dairy as a component of a sustainable diet

According to the United Nations' Food and Agriculture Organization (FAO) a sustainable diet is a diet with a low environmental impact that contributes towards food security and a healthy life for current and future generations. This means that in sustainable diets nutritional value and environmental impact must be in balance. The FAO also sees dairy playing a major role. Milk by nature contains essential nutrients such as proteins, vitamins B2 and B12 and minerals such as calcium.

What FrieslandCampina is working on

Market-conforming solutions
As a globally-operating company it is important that FrieslandCampina seeks market-conforming solutions to both regional and global challenges. Uniform and/or western oriented solutions are not always suitable in other (food) cultures. For example, the sugar level in products in Indonesia is relatively high, but the sugar also ensures better preservation and, therefore, quality. The search for solutions that dovetail optimally with the local context is a challenge of which FrieslandCampina is increasingly aware. At the same time the multitude of options makes developing a clear focus a challenge in itself. Working in a targeted manner and ensuring that everyone is working towards the same goal can reinforce the result and the output.

Dilemma

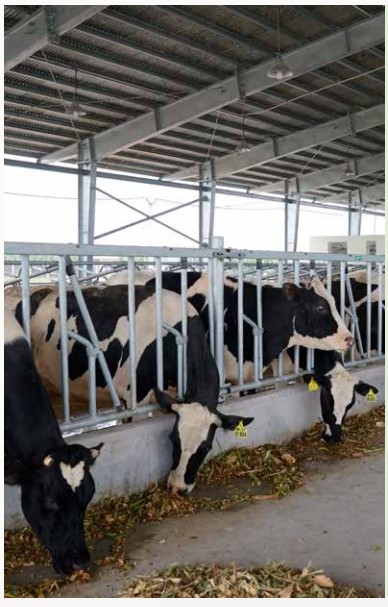
Sugar reduction: Balance between health and consumer preference
FrieslandCampina believes that helping consumers eat and drink more healthily and contributing towards combating obesity is very important. Sugar reduction has been high on the agenda for years and major steps have been taken in all product categories. FrieslandCampina is taking a step-by-step approach. But even if the taste gradually becomes less sweet there is a limit to the consumer's acceptance. Influencing the consumers' preference will take time and cooperation throughout the sector. That is why both the efforts of individual companies and sector-wide initiatives, such as the Product Composition Improvement Agreements, are crucial.

Dairy development in Asia and Africa

FrieslandCampina has been active in the world of dairy farming and dairy for over 140 years and is using the knowledge and experience it has gained to bring about the further development of local dairy farming in Asia and Africa. Via the Dairy Development Programme (DDP) FrieslandCampina is enabling local dairy farmers to run their businesses optimally and raise the quality and quantity of their dairy production. In this way FrieslandCampina is contributing towards the improvement of the social-economic position of farmers in Asia and Africa. A considerable portion of FrieslandCampina's activities take place in regions of South-east Asia and Africa, in particular in Indonesia, Thailand, Vietnam, Malaysia and Nigeria. FrieslandCampina deems it important that a portion of the raw materials are purchased locally in order to stimulate the local economy. This is also appreciated by the authorities in these countries. FrieslandCampina also wants to interest young people in farming as a profession by improving the future economic perspective and, by so doing, to respond to the rapid aging of the global farming community.

Dairy development in Asia and Africa

	Goal for 2020	KPI	Result 2014	Actions 2015
	To contribute towards the further development of local dairy farming by raising the quality and food safety level of locally produced milk (in Asia and Africa).	**Percentage of implemented roadmap for quality and food safety.**	A Quality and Safety Roadmap implemented in all DDO countries. The Public-Private Partnerships (PPPs) started in 2013 were followed up to facilitate the further development of the dairy sector in Indonesia and Vietnam.	Further efforts to improve the quality of locally-produced milk by offering training, technical support and consultancy pools. Follow-up the partnerships in Indonesia and Vietnam. FrieslandCampina also intends expanding the DDP activities in Nigeria further.
	To contribute towards the further development of local dairy farming by increasing the productivity of farms (in Asia and Africa).	**The number of dairy farmers that have participated in training courses.**	In all DDP countries, a total of 5,440 farmers and employees of milk collecting centres and cooperatives were trained by FrieslandCampina employees and member dairy farmers.	Increase the number of training courses and follow-up the Farmer2Farmer training courses by carrying out a next phase at all previously visited businesses. Provide certificated training to the DDP employees and member dairy farmers who participate in Farmer2Farmer missions.
	To contribute towards the further development of local dairy farming by facilitating trade between the dairy farmer and the market through the introduction of an incentive based payment system (in Asia and Africa).		An incentive based payment system implemented in Vietnam as part of the automated payment system.	Work on the development and implementation of an incentive based payment system in Indonesia.



Dairy zone in Vietnam

Since 2013 FrieslandCampina Vietnam has worked on the setting-up of a dairy zone. The project is a Public-Private Partnership between FrieslandCampina, Wageningen UR, cattle feed company De Heus, The Friesian Agro Consultancy, Fresh Studio, the Ha Nam provincial government and the Dutch government. The project will run for five years and falls under the auspices of the Dutch Ministry of Foreign Affairs' Facility for Sustainable Entrepreneurship and Food (FDOV). A dairy zone is a group of dairy farmers who are trained in the management of a sustainable, professional family business, with a focus on the productivity per cow and the quality of the milk. The dairy zone will include around 50 dairy farmers, who will produce at least seven million kilos of fresh milk per year, and will provide jobs for 345 people. The project will also help with training, the setting-up of the production process for cattle feed and financial services for the participating farmers. In July 2014 the construction of the sustainable dairy zone began officially. Two pilot farms were built and went into operation on 31 December 2014.

Clarification of 2014 results

Goal for 2020: To contribute towards the further development of local dairy farming by raising the quality and food security level of locally produced milk (in Asia and Africa)

In 2012 FrieslandCampina developed a Quality and Safety Roadmap with the aim of improving the quality of milk in the DDP countries within three years. The Roadmap focuses primarily on improving the microbiological quality of the milk and reducing the quantity of antibiotics given to dairy cows. In 2014 the implementation of this Roadmap was achieved in every DDP country.

Exchange of knowledge - FrieslandCampina employees

Employees with considerable knowledgeable of dairy production are deployed, via a so-called consultancy pool, to advise and support dairy farmers and dairy cooperatives in Asia and Africa. This support is aimed primarily at improving the quality of the milk and the productivity per cow. In 2014 seven FrieslandCampina employees visited farms and milk collection centres in several countries including Indonesia.

Technical support and model cattle sheds

In the DDP countries investment in technical support and the development of model cattle sheds continued in 2014 with the aim of helping local farmers improve milk production. In Vietnam model cattle sheds were built where farmers can watch demonstrations on aspects that can improve the quality of the milk. In addition, the 60 most productive farms in Vietnam received technical support aimed specifically at improving milk production and quality and reducing costs.

The Dairy Development Programme in Malaysia

In Malaysia too FrieslandCampina invested in helping local farmers produce high-quality milk. In cooperation with a local party, DVS-Putrajaya, FrieslandCampina organised eight national workshops on hygiene and quality. In addition, study trips were organised so the participants could see and learn from best practices in dairy farming. These study trips also focused on good management of farmers' cooperatives.

Hendro Poedjono, Director of Public Affairs and Regulatory Affairs, FrieslandCampina:

"It was with great pride that we received the Best Sustainable Business Practice award in Asia Pacific. This was the first year that FrieslandCampina submitted an entry for this prestigious award and being declared the winner shows that our DDP efforts are being recognized by all audiences. DDP provides a great platform for farmer-to-farmer knowledge sharing."

FrieslandCampina receives the Best Sustainable Business Practice Award in Asia Pacific

The Best Sustainable Business Practice Award is an appreciation of inspiring examples of companies' contributions in the field of sustainability in Asia. In 2014 FrieslandCampina received this award for its activities in the Dairy Development Programme in Asia and Africa. The DDP shows how FrieslandCampina creates shared value with a range of activities that benefit society and the development of the local economy in Asia.

Dairy Village in Indonesia

FrieslandCampina has worked on the Dairy4Development Project on West-Java since 2013. This project, like the one in Vietnam, is within the remit of the Facility for Sustainable Entrepreneurship and Food (FDOV). The project is a Public-Private Partnership between Frisian Flag Indonesia (FFI), Wageningen UR, The Friesian Agro Consultancy, Agriterra and the two Indonesian cooperatives KPBS Pangalengan and KPSBU Lembang. The aim of the project is to increase milk production and improve the quality of the milk. A Dairy Village in which dairy farmers have communal facilities, for example for milking, will be built. There is also an up-to-date feed supply system and the dairy farmers have access to land on which to grow cattle feed. In addition to the Dairy Village work is continuing on an improved milk collection infrastructure, access to financing and management skills. On 7 November a ceremony took place to mark the construction of the first new milk collection centre. Agreement has also been reached regarding the land on which the Dairy Village will be built. A training plan was also developed in 2014 and the development of the automated farm milk registration system was almost completed.

Goal for 2020: To contribute towards the further development of local dairy farming by increasing the productivity of farms (in Asia and Africa)

In 2014 FrieslandCampina, sometimes in cooperation with local partners, organised training courses in a number of DDP countries. These training courses included cattle feed & waste management, calf rearing, hygiene during milking, milking machine maintenance, hoof trimming, fertility and housing. In total around 5,440 farmers in five DDP countries were trained during 2014.

Cooperation with Agriterra and the Farmer2Farmer programme

FrieslandCampina is working with Agriterra to strengthen the position of dairy farmers and cooperatives in developing countries. This is being accomplished by deploying knowledge from the Dutch agricultural sector via various programmes and exchanges. During the Farmer2Farmer programme, for example, Dutch member dairy farmers visit farmers in the DDP countries to exchange knowledge and experience. The aim of this programme is to improve the operation of the dairy farms. Better management leads to lower costs and an improvement of the cows' production and productivity. In 2014 the Farmer2Farmer programme was particularly successful in Thailand, Vietnam, Malaysia and Indonesia. In Indonesia more than 415 farmers participated in the programme. In cooperation with Agriterra and local DDP teams, 11 FrieslandCampina member dairy farmers trained over 800 local dairy farmers. In 2015 the best performing farmers in these DDP countries will be given the opportunity to visit the farms of their Dutch trainers. In 2015 more than 3,000 farmers will be trained through the Farmer2Farmer programme in Thailand. In Indonesia FrieslandCampina will organise a competition for participants in the Farmer2Farmer programme as a further stimulus to improving their performance.

What FrieslandCampina is working on

Goal for 2020: To contribute towards the further development of local dairy farming by facilitating trade between the dairy farmer and the market through the introduction of an incentive based payment system (in Asia and Africa)

With the DDP FrieslandCampina is contributing towards the entrepreneurship of local farmers. This demands a step-by-step approach: via the improvement of the milk quality, productivity and skills, to the growth of the enterprise. This is why, in 2014, FrieslandCampina developed the incentive based payment system. Farmers are rewarded for performing better, based on the FAO's Good Dairy Farming Practices, and investing in improving of their farm. FrieslandCampina pays an additional supplement on top of the average local milk price for better quality milk. This stimulates dairy farmers to produce better quality milk.

The first efforts and results became apparent in 2014. Various study trips to the Netherlands were organised for Chinese companies, customers, consumers and the Chinese government. At the same time the Sino Dutch Dairy Development Centre (SDDDC) was formalised further and a white paper was written about the trends and challenges in the Chinese dairy sector. On the basis of this document a research programme was set up and three research projects were started. Training courses were also developed for Chinese dairy experts and in December an expertise centre was opened at a Chinese farm. This expertise centre focuses on research, development, innovation and training within the Chinese dairy sector.

The Dairy Development Programme in Nigeria

In Nigeria the DDP is still in full development. In 2013 and 2014 FrieslandCampina invested in the creation of awareness of the DDP among (potential) farmers and the improvement of two milk collection centres. This has increased the supply of locally-produced milk. In 2015 the DDP will pay more attention to the programme in Nigeria with additional focus on training and the development of milk collection centres.

Monitoring the progress

In 2015 the primary focus will be on data collection and progress monitoring. FrieslandCampina is not only working on the automation of the milk reporting in Indonesia, in 2015 the DDP data collection will be further optimised an all the five countries. FrieslandCampina measures the progress of the DDP countries related to a number of indicators, such as the number of farmers reached and the microbiological quality of the milk. In 2015 FrieslandCampina will make the effect of the programme more visible by defining clear measurement units and making the progress in respect of these indicators more obvious.

The CSR strategy of two cooperatives in Indonesia

One component of the Dairy4Development Project in Indonesia is the implementation of a CSR strategy at two cooperatives that fit in well with the local situation. To safeguard the implementation of these strategies the international Dairy Sustainability Framework approach will be used. This is also a pilot to assess the suitability of the Dairy Sustainability Framework for developing countries. Together with Frisian Flag Indonesia and RoyalHaskoningDHV a plan has been developed that will be implemented in 2015 and 2016. An important step in this plan is the better utilisation of the minerals released from the manure, which can improve the yield of the raw feed.

Efficient and sustainable production chains

FrieslandCampina is striving to ensure that in 2020 energy usage and, therefore, emissions of greenhouse gasses are the same as or less than they were in 2010. This means that the increase in production must not have any consequences for the emission of greenhouse gasses. Towards this end FrieslandCampina is working on achieving an efficient and sustainable production chain. This starts with sustainable dairy farms (see the section 'Sustainable dairy farming'), the purchase of sustainable (agricultural) raw materials and the reduction of energy and water consumption by the production facilities. The use of sustainable energy, preferably produced by member dairy farmers, also contributes towards the achievement of the climate-neutral growth ambition. FrieslandCampina is encouraging member dairy farmers to generate sustainable energy, for example by means of wind turbines, solar panels or biomass, by issuing green certificates.

Efficient and sustainable production chains

Goal for 2020	KPI	Result 2014	Actions 2015
In 2020 all purchased agricultural commodities come from fully sustainably managed sources.	**Percentage of agricultural commodities, including cane sugar, cocoa, palm oil, paper, beet sugar, starch, fruit and soy, come from sustainably managed sources.**	• Palm oil – 100 percent sustainable oil based on RSPO criteria. • Cocoa – 100 percent of purchased sustainable based on UTZ Certificate criteria. • Cardboard – 100 percent of purchase for the West Europe market sustainable based on FSC/PEFC criteria. • Fruit – 100 percent of the banana puree Rainforest Alliance certificated. • Soy - 100 percent sustainable soy oil and soy co-products based on RTRS criteria.	• Palm oil – where possible switch to RSPO segregated palm oil. • Cardboard – extend purchase of certificated cardboard to East Europe. • Fruit – develop a sustainability standard for tropical fruit together with Solidaridad. • Fruit – 30 percent of the purchased oranges managed sustainably via RHT (Rural Horizon Tool) - SAI (Sustainable Agriculture Initiative) Platform Principles & Practices. • Fruit – training programme for sustainable mango production.
In 2020 100 percent use of green electricity generated by a responsible source, preferably by own members.	**Percentage of electricity bought from Green Electricity Tariffs/Green Energy Contracts (NL and worldwide).**	• The Netherlands: 91 percent. • Worldwide: 45 percent.	• The Netherlands: 100 percent. • Worldwide: 50 percent.
To achieve climate-neutral growth between 2010 and 2020 through reducing energy usage in dairy processing.	**Total energy used for processing dairy (TJ).**	20,844 TJ (terrajoule) primary energy. This is an increase of 1.5 percent compared with 2013.	Every production facility to draw-up an action plan aimed at achieving energy savings and implementing ideas and innovations from the impact scans.
At least a 2 percent a year improvement of energy efficiency compared with the previous year (since 2010).	**Energy consumption per ton of processed product (GJ).**	3.4 GJ (gigajoule) primary per ton of product. This is an increase of 5.2 percent compared with 2013.	Tighten up the annual targets to achieve 2020 goal.
To improve the recycling of waste streams from the production process in 2020 by 20 percent compared with 2010.	**Percentage of waste reused or recycled.**	67 percent of the waste recycled or reused - 2 percent more than in 2013.	Investigate possibilities of improving waste-stream separation at all production facilities.
To contribute towards reducing waste production.	**Total waste (ton).**	58,033 ton. This is an increase of 11.6 percent compared with 2013.	Better separation of waste streams will enable better reuse of waste.
To contribute towards the reduction of fresh water usage.	**Total water used in dairy processing (m^3).**	28,718,327 m^3. This is an increase of 0.6 percent compared with 2013.	Every production facility to draw-up an action plan aimed at achieving water savings and implementing ideas and innovations from the impact scans.
An annual water efficiency improvement of at least 2 percent compared with the previous year (since 2010).	**Water consumption per ton of processed product (m^3).**	4.6 m^3/ton. This is an increase of 5 percent compared with 2013.	Reassess the annual targets.

Clarification of 2014 results

Goal for 2020: In 2020 all purchased agricultural commodities come from fully sustainably managed sources

Milk is the basis of FrieslandCampina's products, but it is not the only raw material. FrieslandCampina also uses raw materials such as palm oil, sugar and cocoa for the end products and paper and cardboard for the packaging. In working towards sustainable and efficient production chains FrieslandCampina is, therefore, also focusing on the purchase of (agricultural) commodities from fully sustainable sources.

Sustainable palm oil, soy and cocoa

FrieslandCampina is working with industry initiatives to stimulate the production of these agricultural raw materials. The dairy company is a member of the Round Table on Sustainable Palm Oil (RSPO), the Round Table on Responsible Soy (RTRS) and the Sustainable Agriculture Initiative (SAI).

With the purchase of 90,000 tons of 100 percent sustainable, segregated palm oil in Europe, FrieslandCampina ranks among the leaders in this field. FrieslandCampina uses this palm oil for fat powders, creamers, infant nutrition and animal feed products. In 2015 the possibility of switching to segregated palm oil at all FrieslandCampina facilities worldwide will be investigated. This is sustainable palm oil that is harvested, transported and processed in FrieslandCampina's products completely separately, which means any defects can be signalled.

FrieslandCampina also uses soy oil for its products. The goal of purchasing 100 percent sustainable, RTRS certificated soy was achieved in 2013. More information about FrieslandCampina's efforts in the field of sustainable soy scrap for animal feed is included in the 'Sustainable dairy farming' section.
In 2014 FrieslandCampina achieved its goal of purchasing 100 percent sustainable cocoa (according to the UTZ Certified criteria).

FrieslandCampina participates in The Green Quest

In 2014 FrieslandCampina participated in The Green Quest, a search for ways for companies to operate more greenly and more profitably. In The Green Quest the DMV production facility is searching for environmentally-responsible and cost-saving measures aimed at energy usage, water and waste water. External sustainability experts and FrieslandCampina employees have brainstormed together about sustainability in the facility. The ideas were then compiled into a plan of approach and implemented in the production facility. In part thanks to the measures that have been implemented, the annual water usage in this production facility has been reduced by 10 percent.

Pyrolysis oil as fuel

FrieslandCampina is looking at other possibilities for obtaining green electricity; FrieslandCampina opted to use energy from bio-mass for the new FrieslandCampina Domo production facility in Borculo. Using a completely new technology for heating without oxygen (pyrolysis), oil is extracted from sustainable bio-mass with an extremely low CO_2 emission. FrieslandCampina is taking the pyrolysis oil as the fuel for the production of ingredients for a period of 12 years.

The first phase is taking place at Empyro in Hengelo (production of pyrolysis oil) and the second phase (incineration) in the steam boiler of FrieslandCampina Domo in Borculo. This is replacing 12 million m^3 of natural gas a year and reducing the direct CO_2 emissions for the whole Borculo facility by around 15 percent a year, which translates into a saving of 20,000 tons of CO_2 a year (the equivalent of the annual natural gas consumption of 8,000 households).

Packaging material from sustainably managed forests

In April 2014 FrieslandCampina and PEFC Nederland signed the PEFC 'sustainable forest management policy declaration'. PEFC is a renowned international and independent hallmark to promote sustainable forest management. Since then FrieslandCampina's packaging has carried one of the two international sustainability logos: the FSC (Forest Stewardship Council) logo or the PEFC logo.

Tropical fruit

FrieslandCampina Fruitbased has set itself the target of being the first Dutch fruit juices producer with a completely sustainable supply chain. In cooperation with Solidaridad the fruit juices division is working on a new standard in the field of sustainable tropical fruit. The goal is for 30 percent of the oranges purchased in 2015 to comply with the RHT - SAI Platform Principles & Practices. The Rural Horizon Tool is a questionnaire with which the farmer can determine his sustainability status and, on the basis of this, be told the following steps he should take to achieve a higher sustainability level. The questions in the RHT and the SAI Farmer Sustainability Assessment (SAI FSA) are tuned to each other in such a way that the RHT answers can be benchmarked to SAI FSA. This year the focus is on verifying the SAI FSA so it can be used to safeguard the integrity of the results. In 2015 FrieslandCampina will also work on a training programme for sustainable mango growing.

Sustainability standards for purchased agricultural commodities

Whenever possible FrieslandCampina uses internationally-recognised standards to determine whether the raw materials it purchases are truly sustainable. Unfortunately, such sustainability standards do not exist for all the products it purchases. For these raw materials FrieslandCampina, in cooperation with its suppliers and social organisations, must decide what level of sustainability it requires. For sustainable fruit FrieslandCampina has followed an intensive trajectory with Solidaridad. Friesland Campina also uses the knowledge and experience of the SAI Platform (Sustainable Agriculture Initiative), which develops standards for making agricultural commodities more sustainable. FrieslandCampina has also started working with SAI and most of the European sugar producers to formulate a uniform market standard for beet sugar.

Goal for 2020: In 2020 100 percent use of green electricity generated by a responsible source, preferably by own members

In 2014 91 percent of the electricity used in the Dutch production facilities was sustainably generated solar, wind or biomass energy. The majority of this was supplied by the member dairy farmers. For a company with a significant energy usage this is a major step towards making its production more sustainable. More information about the way in which FrieslandCampina facilitates the generation of sustainable energy by member dairy farmers is included in the 'Sustainable dairy farming' section.

In 2015 FrieslandCampina is investigating the possibilities of generating electricity by installing wind turbines at six production facilities. The electricity generated will be used immediately by the relevant production facility.

Goal for 2020: To achieve climate-neutral growth between 2010 and 2020 through the reduction of energy usage in dairy processing. To achieve an annual water and energy efficiency improvement of at least 2 percent compared with the previous year (since 2010)

In 2014 energy and water use increased and, for the first time since 2010, FrieslandCampina failed to reduce its annual water and energy efficiency by 2 percent. In 2014 not only were relatively more energy-intensive products produced than in 2013, but also the installation, testing and start-up of new installations and innovations in the production facilities contributed towards the increase in energy and water use.

Investment in technological innovations

To achieve climate-neutral growth it is important that in the future FrieslandCampina invests in new technologies and possibilities for energy and water savings. This is why, since 2013, FrieslandCampina has carried out so-called impact scans at different production facilities. The goal for 2014 – that 80 percent of the production facilities had carried out an impact scan and an improvement plan had been drawn-up – was achieved. The scan involved looking at the water and energy use and possibilities for savings. The impact scans show the possibilities for improvement very clearly: the outcome was a list of over 700 ideas. In 2015 the focus is on achieving further savings at every production facility, monitoring the progress per facility

FrieslandCampina participates in the KLM Bio Fuel programme

KLM and FrieslandCampina are partners in the Dutch Sustainable Growth Coalition, an initiative of eight Dutch multinationals aimed at advancing and promoting sustainable growth. In 2014 the two companies signed an agreement to stimulate flying on sustainable bio-fuel. From now on FrieslandCampina employees will fly climate-neutral to Singapore and China. As a participant in the programme, FrieslandCampina pays a supplement on each ticket that offsets the difference in price between bio-fuel and traditional kerosene. This investment will be used to purchase bio-fuel that will then be added to the fuel system at Schiphol airport.

and the sharing of knowledge. Based on the impact scans the facilities are asked to draw-up action plans and to translate the ideas from the scans into savings. The Company is also focusing on tightening up the targets in order to be able to achieve the 2020 goals. The expectation is that the implemented innovations will bear fruit in 2015.

Heat pump

In December 2014 a new heat pump went into service in Beilen. This heat pump cools on one side and heats on the other. The hot side is used to heat hot condensation (at around 40 degrees) to over 65 degrees. This is hot enough to kill any pathogens (sanitation step). The heat is then added to the air used in a spray drying tower. The temperature of the condensation stream is then between 20 and 30 degrees. This condensation stream is cooled to around 10 – 15 degrees by the cold side of the heat pump, which makes it suitable for reuse (technical applications).

In 2015 FrieslandCampina is investing in a renovation of the Leeuwarden production facility. Innovating the milk condensation process with new condensers results in considerable energy savings. In the future the energy saving will be increased by rolling-out this innovation to many of the other production facilities.

Saving water at production facilities

Having sufficient fresh water available is a prerequisite for food production worldwide. The availability of fresh water around the world is expected to decrease. Using water economically is, therefore, important. For FrieslandCampina as well. In recent years a number of production facilities have worked on saving water. In Nigeria, for example, a team has worked on reducing the water used in the production process. The team, together with operators at a department level, has looked at the moment at which the water is used and has determined the amount using detail meters. This has improved the awareness of water usage per department. Automatic stops have also been installed.

The Four zeros

Within the four result areas – Safety & Sustainability, Quality, Service & Costs and Capital - FrieslandCampina's ambition is to achieve zero incidents, zero product faults, zero negative results and zero lost sales. Under the name 'The Four Zeros' a worldwide campaign has been introduced to systematically reduce the losses. The first pilot projects have been started in the Netherlands, Thailand and Nigeria.

What FrieslandCampina is working on

Since 2013 the Aalter (Belgium) production facility has really focused on saving water. In 2013 at least 800,000 m^3 water was reused through the application of new purification technologies. This continued in 2014 and the production facility was able to reduce its use of ground and tap water by a total of 15 percent by using purified condensation water from the production process. Without this innovation this condensation water would have been lost as waste water. The installation that purifies the production process condensation water results in water savings of 444 m^3/per day.

Goal for 2020: To contribute towards reducing waste production and increase the reuse of waste streams from the production process in 2020 by 20 percent compared with 2010

FrieslandCampina, together with waste processors, is striving to increase the recycling and reuse of waste streams. In 2014 a start was made. In 2015 FrieslandCampina will investigate further by seeking good destinations for waste. This could increase the percentage of waste that is recycled.

Accelerating innovations and savings

Due to the speed with which technological innovations present themselves, it is sometimes difficult to decide which is the best investment. FrieslandCampina includes energy efficiency in all its investment deliberations. Making energy usage more sustainable and implementing innovations at the production facilities costs a great deal of time and innovations have a long break-even and pay-back time. To achieve the 2020 goals FrieslandCampina is working on accelerating the implementation of innovations.

FrieslandCampina wins the King Willem I Prize

On 13 May 2014 Cees 't Hart, CEO of FrieslandCampina, received the prestigious King Willem I Prize from Queen Máxima on behalf of the entire concern. Since 1958 the King Willem I Prize Willem-Alexander wasn't born until 1967 has been the national Dutch enterprise award aimed at encouraging creative and innovative entrepreneurship. The prize is awarded every two years to companies that stand out through good entrepreneurship, daring, decisiveness and persistence due to their longer-term vision, efforts in the field of sustainability and investments in innovation.

Sustainable dairy farming

FrieslandCampina considers it important that milk and other raw materials for the production of dairy products are produced in a sustainable way. This means using dairy farming methods that have the lowest possible impact on the environment, are animal friendly and contribute towards boosting public support for dairy farming. This demands continuous improvement of the skills and enterprise of member dairy farmers. With the *Foqus planet* programme FrieslandCampina offers its member dairy farmers the tools to achieve a sustainable business. Increasingly stringent demands are being specified for dairy products and the way in which they are produced. In addition to product and chain quality, clients and society also demand transparency, sustainability and meadow grazing. The dairy sector, in part due to its visibility and impact on the landscape, is closely connected with the community. This means that several social themes are extra important. Society appreciates dairy farmers' role in and contribution towards maintaining the cultural landscape and rural vitality. The sector is also working on reducing energy usage, greenhouse gas emissions and (via the manure) mineral emissions.

Sustainable dairy farming

	Goal for 2020	KPI	Result 2014	Actions 2015
	To achieve climate-neutral growth between 2010 and 2020 by reducing emissions from milk production at the farm level.	**Total CO_2 equivalent during milk production at the member dairy farms (including through energy efficiency).**	12,029 CO_2 equivalent. This is an increase of 1.7 percent compared with 2013.	Stimulate energy savings at member dairy farms via *Foqus planet*.
	Continuous improvement of animal health and welfare.	**Antibiotic use (DDD/J).**	Antibiotic use reduced further to 2.4 x the daily dose per year (DDD/J). This is a reduction of 15.8 percent compared with 2013. Within *Foqus planet* the Cow Compass management tool has been made available to all member dairy farmers.	The Animal health and Welfare information programme focuses on aspects including responsible medicine usage in order to reduce antibiotic use to the 1999 level. Continued cooperation with relevant parties to reduce antibiotic use.
		Average life of dairy cows.	Continuous attention paid to animal health and welfare through cooperation with a Bovine Veterinarian, an animal health status and the animal health check (with the help of a Regular Farm Visit). The tools for this are a compulsory Farm Treatment Plan, the Continuous Animal Health Monitor and the Cow Compass. FrieslandCampina also provided member dairy farmers with information and training in the field of improving udder health, hoof health and the responsible use of animal medicine.	Member dairy farmers will be rewarded for a healthy dairy herd: longer life, IBR, BVD, and cell count. Continued cooperation with relevant parties to achieve a healthy dairy herd.
	Maintain biodiversity.	**Demonstrable efforts to retain nature and landscape components.**	FrieslandCampina is working with the World Wide Fund for Nature and the Rabobank to develop a revenue model for biodiversity. In 2014 a start was made in cooperation with the Louis Bolk Institute.	From 2015 Nature and landscape will be one of the aspects of sustainable development in *Foqus planet*. In 2015 measurable indicators will be developed from the biodiversity monitor for, for example, ground, the sustainable dairy loop, the landscape and animal diversity.
		Percentage of RTRS certificated soy in the cattle feed.	83 percent (2013: 53 percent).	100 percent sustainable soy (RTRS or comparable criteria).
	To maintain the 2012 level of meadow grazing on member dairy farms (2012: 81 percent).	**The percentage of farms with meadow grazing or partial meadow grazing (%).**	Meadow grazing at 77.2 percent of the member dairy farms (2013: 79.1 percent).	Maintain the 2012 level of meadow grazing: total 81 percent.

Clarification of 2014 results

Goal for 2020: To achieve climate-neutral growth between 2010 and 2020 by reducing emissions from milk production at the farm level

Climate-neutral growth means that the production quantity increases, but the energy usage and greenhouse gas emissions in 2020 are the same or lower (compared with the reference year 2010). As a component of this goal the Dutch dairy sector (production and processing) has set itself the target of achieving a minimum annual energy efficiency improvement of two percent a year: the Multi-year energy efficiency agreement (MJA-3) and the Clean and Economical Agricultural Sectors Covenant (Convenant Schone en Zuinige Agrosectoren).

Achievement of climate-neutral growth

The goal of climate-neutral growth until 2020 has not yet been achieved. The main reason for this was the unexpected increase in milk production in 2013 and 2014 due to the lifting of the milk quota. To encourage member dairy farmers to achieve energy savings, in 2014 agreement was reached regarding the inclusion of energy usage as an indicator within the revised *Foqus planet* programme. The member dairy farmers can earn points on the basis of their actual energy usage. These points translate into a premium. Both energy saving and the generation of sustainable energy are rewarded.

Energy scans by member dairy farmers

FrieslandCampina is working with its member dairy farmers to achieve energy savings by offering them an energy scan and energy workshops. The energy scan is a questionnaire about the energy consumption on a dairy farm, possibly in combination with a comparison of the energy consumption of other member farms. The comparison is linked to recommendations for improvements. In 2014 more member dairy farmers used the energy scan.

Jan Anne Roetman, dairy farmer in Kampen:

> *"With Foqus planet we, as dairy farmers, can show we are not only passionate about our proffession, but also produce high-quality nutrition for the world with respect for people, animals and the environment."*

Generation of sustainable energy

FrieslandCampina's goal for 2020 is to be using 100 percent sustainable energy from its own sector, preferably generated on its own member dairy farms. Members who generate green energy can sell green certificates (Guarantees of Origin) to FrieslandCampina. In 2014 FrieslandCampina continued buying green certificates from member dairy farmers. In 2014 91 percent of the electricity used in the Dutch production facilities was sustainable energy, a major portion of which was generated by member dairy farmers in the Dutch dairy sector.

In 2014 the use of solar panels at the dairy farms increased. The panels enable electricity-neutral milk production. Every dairy farmer with solar panels generates an average of 36,000 KWh of electricity per year.

Goal for 2020: Continuous improvement of animal health and welfare

FrieslandCampina strives for milk from healthy cows and sets great store by animal welfare. Society, consumers and politicians demand transparency regarding good animal health and welfare practices. For member dairy farmers a healthy herd goes hand-in-hand with a good operating result. Cows that live longer produce more efficiently. And healthy cows do not need antibiotics.

Reduced use of antibiotics

The dairy sector has implemented the necessary actions to draw attention to the reduced and more appropriate use of antibiotics. FrieslandCampina's information programme on the responsible use of animal medicines aims to reduce antibiotic use to 1999 levels. The programme comprises the organisation of workshops, increasing awareness and imposing strict requirements where necessary. In 2014 a further reduction in antibiotic use was achieved: 2.4 daily doses per year compared with 2.9 daily doses in 2013.

Average life of dairy cows

The age at which dairy cows leave the farm is a good indicator of the animals' health and welfare. Lengthening the life of dairy cows also contributes towards reducing CO_2 emissions because, averaged over her entire lifetime, the longer a cow produces milk the lower the average CO_2-emissions related to her milk. The goal for 2020 is a lifespan that is six months longer than in 2010. FrieslandCampina defines lifespan as the average age of a cow when it leaves the farm.

In 2014 FrieslandCampina organised over 100 workshops for member dairy farmers on the topics of improving udder health, hoof health and the responsible use of animal medicine. Good udder and hoof health are beneficial for the lifespan of a dairy cow. Combating diseases that reduce resistance also contributes. In 2014 it was decided to include two indicators (IBR and BVD), and the cell count, in the revised *Foqus planet*. This means that from 1 January 2015 member dairy farmers will be rewarded if their cows live longer.

Solar panels with the slogan 'mmm...milk'

A FrieslandCampina dairy farmer in Lisse has had solar panels installed on a new cattle shed in such a way that from a distance the well-known advertising slogan 'mmm... milk!' can be read. The cattle shed is a fully-sustainable building with space for nearly 200 dairy cows. The cows also enjoy optimum comfort. The milk is cooled by means of a heat exchanger. The hot water is cooled and used as drinking water for the cows. The farm now generates as much energy as it uses.

Animal health

According to *Foqus planet*, the following basic demands are applicable to all member dairy farmers: cooperation with the Geborgde Rundveedierenarts (Guaranteed Bovine Veterinarian), an animal health status and the animal health check. In this way FrieslandCampina is supporting animal health by ensuring structural attention to animal health and cooperation with the veterinarian. The member dairy farmers can use the following tools for the animal health check:

- The Bedrijfsbehandelplan (BBP) (Business Treatment Plan). Member dairy farmers can opt for four regular visits by a veterinarian per year as part of the Business Treatment Plan. Each visit the veterinarian checks the health of the dairy cows, goes through a checklist and identifies animals with health problems. If the dairy farmer has a lot of animals with health problems the veterinarian carries out an extra check.
- The Continue Diergezondheidsmonitor (CDM) (Continuous Animal Health Monitor). The CDM is based on available data regarding the animals' health (death figures, health status for paratuberculosis, BVD and salmonella) and the milk production (new infections, milk quantity). This data is compared with national averages and encourage the dairy farmer to improve animal health and welfare. The mandatory minimum number of visits from the veterinarian is two per year, but generally visits are more frequent.
- The Cow Compass (Koe-Kompas). The Cow Compass was developed by veterinarians and member dairy farmers and is based on a thorough medical check of the animals. This management tool provides an analysis of the dairy farm and indicates the farm's strong points and areas in which there is room for improvement. The Cow Compass focuses on seven business aspects: feed and water, housing, animal welfare, milking, work routines, young animal rearing and animal health.

Foqus planet

The commitment of its member dairy farmers is vital for the achievement of FrieslandCampina's sustainability goals in 2020. For the production of raw milk by its member dairy farmers, FrieslandCampina follows the quality standard and sustainability programme *Foqus planet* (since 1 January 2012). This programme is the most important tool with which FrieslandCampina is striving to achieve its 'Sustainable dairy farming' ambitions. *Foqus planet* answers questions from customers, the government, consumers and society, now and in the future.

In 2014 FrieslandCampina, in consultation with member dairy farmers and members of the Cooperative's District Councils, developed a revised *Foqus planet* for all member dairy farmers in the Netherlands, Germany and Belgium. The revised programme was implemented on 1 January 2015 and is valid for the coming three years. In 2014 the revision of *Foqus planet* formed the backbone of all meetings with member dairy farmers. In accordance with the revised *Foqus planet*, as of 2015 member dairy farmers are paid a sustainability performance supplement on the basis of their results rather than their efforts. The sustainability development component, which comprises six measurable indicators, gives member dairy farmers the possibility of improving the sustainability of their business step by step. The indicators focus on animal health & welfare, biodiversity & the environment, and climate & energy. Member dairy farmers earn points for their sustainability performance per indicator. The results are measured annually and rewarded with the *Foqus planet* premium. The *Foqus planet* premium is a reward tool based on the redistribution of milk money on the basis of individual sustainability performances. The premium is financed through an annual retention from member dairy farmers of 0.25 euro per 100 kilos of milk supplied. The redistribution of the annual premium is based partly on the performance in respect of the indicators related to the sustainability component within *Foqus planet*.

Business Benchmark on Farm Animal Welfare
In 2014 Compassion In World Farming (CIWF), an organisation dedicated to farm animal welfare, carried out an international benchmarking in the area of animal welfare on the basis of published information available via the website. FrieslandCampina's score on this benchmark has risen compared with 2013. This improvement is due on the one hand to more transparency about the leaders and FrieslandCampina's innovative activities and, on the other hand, to the receipt of the Good Dairy Award in 2013. CIWF praised FrieslandCampina for its robust programmes for implementing animal welfare, both internally and in the chain, in the Netherlands, Germany and Belgium.

Goal for 2020: Maintain biodiversity
FrieslandCampina sets great store by biodiversity, because the resilience of a dairy farm is, to a great extent, determined by the diversity of species. In addition, nature and landscape elements, including meadow birds, make a significant contribution towards the image of dairy farming. The goal is that dairy farming contributes towards improving biodiversity.

Management of nature and the landscape
In 2014 FrieslandCampina worked on an indicator within *Foqus planet* for maintaining biodiversity. Making a demonstrable effort to maintain elements of the landscape and nature earns a member dairy farmer points. FrieslandCampina measures the performance of member dairy farmers on the number of hectares managed for nature and landscape elements expressed as a percentage of the total farm area. Member dairy farmers make clear what they are doing in terms of nature and landscape management in a management agreement (a formal agreement with a municipality, province or other organisation) or with a personal declaration.

Working together on meadow grazing with 'Robot & Weiden' ('Robot & Meadow')
In 2014 FrieslandCampina implemented various measures to encourage member dairy farmers to put their cows out to graze. In cooperation with the Sustainable Dairy Chain the Robot & Weiden (Robot & Meadow) was started. The project involves 500 member dairy farmers investigating a meadow grazing system that fits within their business operations. Robot & Meadow focuses on being able to combine milking robots with meadow grazing. The project enables member dairy farmers to gain knowledge and experience regarding combining robot milking and meadow grazing. They are also supported by the Meadow Grazing Foundation, Wageningen Livestock Research and the member dairy farmers with an automated milking system who already put their cows out to graze. Using the knowledge they have gained the dairy farmers draw-up a suitable meadow grazing plan for the 2015 meadow grazing season.

Partnership with the World Wide Fund for Nature and the Rabobank

FrieslandCampina is working with the World Wide Fund for Nature and the Rabobank to develop a revenue model for biodiversity. The intention is that the improvements to the local biodiversity contribute towards increasing the yield on the farm. In 2014, in cooperation with the Louis Bolk Institute, a start was made on defining how dairy farming influences biodiversity. Based on this start, in 2015 FrieslandCampina, in cooperation with a number of Agricultural nature Organisations, is developing indicators. FrieslandCampina is striving to have a biodiversity monitoring system developed by 2017 at the latest. In addition, in the Sustainable Dairy Chain FrieslandCampina has agreed to continue working on a more concrete definition of biodiversity for 2017.

The mineral balance sheet

Good management of the mineral sustainability loop on the dairy farm contributes towards maintaining biodiversity. The Dairy Sustainability Loop (KringloopWijzer) is a tool that gives the dairy farmer an insight into the farm's mineral balance sheet. In 2014 the sector developed a central database in which all the information from the Dairy Sustainability Loop can be stored. In *Foqus planet* filling in the Dairy Sustainability Loop is obligatory for all member dairy farmers with a phosphate surplus. Besides information about phosphate and nitrogen efficiency, this calculation tool also give the dairy farmer an insight into the emissions of greenhouse gasses on the dairy farm.

Sustainable soy scrap for cattle feed

Soy scrap (a by-product of soy oil production) is used in the feed of the cows that produce the milk for FrieslandCampina's dairy products. Soy scrap contains a high level of protein that can easily be absorbed by the cow. Calculations have shown that around 200,000 tons of soy scrap can be incorporated in the cattle feed of the member dairy farmers each year. FrieslandCampina's goal is for the cattle feed used by its member dairy farmers to include 100% responsible soy from 2015 on. The feed suppliers that supply the member dairy farmers must be certificated for the purchase of sustainable soy scrap. According to the RTRS or comparable criteria, 83 percent (166,000 tons) of the soy scrap is sustainable.

Goal for 2020: To maintain the 2012 level of meadow grazing on member dairy farms (81 percent)

A grazing cow is a component of the Dutch cultural landscape highly appreciated by the public and consumers. FrieslandCampina encourages member dairy farmers in the Netherlands, Belgium and Germany to put their cows and calves out in the meadow. Every dairy farmer whose dairy cows graze outside for at least six hours a day, 120 days a year receives a meadow milk payment. FrieslandCampina has also developed a scheme for partial meadow grazing. This applies to dairy farmers who put a quarter of their herd out in the meadow to graze at least 120 days a year.

Developments in meadow grazing

Over three quarters (77.2 percent) of the member dairy farmers offered their cows meadow grazing in 2014 (including partial meadow grazing). This is lower than in 2013 (79.1 percent). FrieslandCampina is encouraging dairy farmers in the Netherlands, Belgium and Germany to put their cows and calves out to graze in order to raise the level back to 81 percent.

The Meadow Grazing Covenant and the Sustainable Dairy Chain state that dairy companies will strive to maintain the level of meadow grazing at the 2012 level.
At that time 81 percent of the dairy farms in the Netherlands applied meadow grazing. In 2014 efforts related to meadow grazing within the Sustainable Dairy Chain were intensified. A team has developed a concrete programme on this topic (see box 'Robot & Weiden' (Robot & Meadow)).

Farmwalk®
In 2014 the FarmWalk® was introduced under the motto 'Meadow grazing is a skill not an art'. The FarmWalk® is a management tool for meadow grazing based on a weekly round through the farm's own grass. This programme helps member dairy farmers with practical tools, such as the grassland usage calendar, the grassland height meter and a manuring and grazing plan. This makes it easier to plan meadow grazing for different types of member dairy farmers. For examples, members dairy farmers with large herds, automated milking or a small home parcel of land. Considerable attention is also paid to increasing the productivity of grassland and feeding fresh grass to cows. Member dairy farmers who participate get together five times a year under the leadership of an experienced and trained meadow coach. In 2014 the first 12 meadow coaches successfully completed the Meadow Grazing Foundation's Practical Meadow Grazing School.

Futher stimulation of meadow grazing
To further stimulate meadow grazing among its member dairy farmers, as of 1 January 2015 FrieslandCampina has increased the meadow grazing payment per 100 kilos of milk from 0.50 euro to 1.00 euro. The partial meadow grazing payment per 100 kilos of milk has also been increased from 0.125 euro to 0.46 euro as of 1 January 2015. The meadow grazing payment is financed by withholding 0.35 euro per 100 kilos of milk from every dairy farm and a contribution from FrieslandCampina of 0.50 euro per 100 kilos of milk. This means that member dairy farmers who do not put their cows out to graze contribute towards maintaining meadow grazing.

FrieslandCampina is also continuing its efforts to increase the share of meadow dairy and meadow cheese and is implementing campaigns for meadow dairy in the spring of 2015. During 2015 FrieslandCampina is also increasing dairy farmers' expertise in respect of meadow grazing, including by putting meadow grazing on the agenda of educational establishments and promoting the FarmWalk®. FrieslandCampina also provides weekly advice about meadow grazing via e-mail (the meadow man) and in 2015 will start a project whereby member dairy farmers who keep their cows indoors are helped switch to meadow grazing.

What FrieslandCampina is working on

***Foqus planet* implementation**
FrieslandCampina and its member dairy farmers are facing major challenges related to the themes of meadow grazing, biodiversity, animal welfare and reducing the environmental-impact of dairy. The revised *Foqus planet* is a practical aid with which member dairy farmers can develop the sustainability of their business step by step. In the coming year FrieslandCampina will work on the further development of the sustainable development indicators within *Foqus planet*. To safeguard the continuous improvement of sustainability performances, it is possible that over time the indicators and point allocation boundaries will be adjusted. A member dairy farmer who this year receives 20 points for a particular energy usage must, in two years time, use less energy to receive the same number of points.

Dairy Sustainability Framework
The international dairy sector uses the Dairy Sustainability Framework (DSF) as the model for making the increased sustainability of the dairy sector measurable. In 2014 FrieslandCampina, together with Unilever and Danone, started an implementation pilot project. With the help of the DSF FrieslandCampina wants to make the increasing sustainability of dairy farming demonstrable to customers and consumers.

Dilemma

Acceleration of sustainable innovations
FrieslandCampina wants to achieve climate-neutral growth between 2010 and 2020. This means that the production volume increases, but energy usage and, therefore, the emissions of greenhouse gasses in 2020 are the same or lower than they were in 2010. To achieve this FrieslandCampina must invest in sustainable innovations. Innovations like mono fermentation that turns manure into biogas, or the installation of wind turbines by member dairy farmers. To achieve this goal FrieslandCampina wants to accelerate the roll-out of this type of innovation. But local decision-making and obstacles when applying for permits or subsidies can, on a regular basis, mean that the tempo the Company and the member dairy farmers have in mind cannot be achieved. Due to this the available means cannot always be invested in sustainability innovations and are, therefore, used elsewhere. In future innovation trajectories FrieslandCampina wants to cooperate with governments and knowledge institutions at an early stage so that bottle necks are signalled and can be anticipated.

Employee involvement

FrieslandCampina wants to be an inspiring and reliable emplpyer that provides its employees with opportunities, a safe and good work environment and relevant training and education. FrieslandCampina is convinced it can only extract more from milk and achieve its ambitions if it has well-trained people. This is why the Company sets great store by the inspiration and motivation of its employees. Personal involvement in solving the Company's three global challenges increases the feeling of involvement.

Employee involvement

A worldwide Human resources (HR) strategy has been developed to support FrieslandCampina's *route2020* ambitions. This HR strategy revolves around three core themes: involvement, talent and change. FrieslandCampina wants its employees to gain personal satisfaction from their work. Personal contribution towards solving the Company's three global challenges reinforces the feeling of involvement. Together, FrieslandCampina's employees make the difference. The HR strategy also focuses on talent development and guidance through changes within the organisation.

One of the components of the HR strategy is the involvement of the employees in CSR and CSR goals. This is summed up in the slogan 'We make it happen'. This component of the HR strategy is aimed on the one hand at being an attractive employer (1) and the provision of a safe and green working environment (4) and, on the other hand, at channelling the ways employees can contribute towards feeding the world and sharing knowledge about a sustainable diet (2) and how employees themselves can contribute towards reducing FrieslandCampina's environmental footprint (3). These four core aspects are brought together in the four-leaf clover below. All the CSR activities for and by FrieslandCampina employees are encompassed in the four-leaf clover. All the activities are aimed at increasing involvement in our mission: *Nourishing by nature*.

Clarification of 2014 results

1. Being an attractive employer

For FrieslandCampina being a good employer includes providing the right career opportunities, maximum scope for development and appropriate terms of employment and fringe benefits. FrieslandCampina also pays constant attention to its employees' health and involvement with the Company.

FrieslandCampina Academy

To achieve the *route2020* goals FrieslandCampina is continuing to focus on both the targeted development of its existing employees and the recruitment of external top-talent for management and specialist positions. Employees are offered a wide range of training programmes via the FrieslandCampina Academy. In 2014 more than 3,000 employees followed one of the Academy's 262 training courses. The FrieslandCampina Academy's offering comprises general courses about FrieslandCampina's strategy and goals, conduct competencies such as coaching skills, management and leadership programmes and training courses aimed at functional competencies.

FrieslandCampina considers the development of in-house talent to be important. The number of management positions filled by internal candidates has once again increased. In 2014, 74 percent of senior management functions were filled by people already employed by FrieslandCampina.

Employee health

In 2014 a number of initiatives were set-up to promote the health and sustainable availability of employees.

Initiatives in the Netherlands

FrieslandCampina employees in Leeuwarden and Amersfoort took part in the pilot of the BOEST (BOOST) vitality programme. The aim of the programme is that the participants achieve their personal goals in the area of exercise, diet and relaxation. The participating employees were guided through the different areas of exercise, diet and relaxation in different ways, such as personal discussions, workshops and monthly coaching in managing physical, mental and social-emotional energy. Attention was paid to planning the day, sleep, exercise, diet and coping with pressure. BOEST encourages colleagues to share the tips and advice amongst themselves so they work together to improve their physical, mental and emotional health.

Of the 350 participants:

- 71% said they could manage their energy better,
- 79% said their priority-setting improved,
- 82% said their recovery after work was good or excellent, and
- 94% said they would recommend the programme to their colleagues.

From 2015 BOEST will be offered to all employees in the Netherlands. Every facility can opt to implement this programme for the coming five years.

Improving the sustainable availability of employees

The sustainable availability of the current employees and the targeted recruitment of new employees will safeguard the quality and quantity of FrieslandCampina's workforce in the future. In 2014 a number of core themes were defined to stimulate the sustainable availability of employees. The Dutch Collective Labour Agreements for the Dairy Industry and the Private Cheese Warehouses include agreements regarding the creation of better and more flexible work rosters in the interest of employees' health. Customised solutions in the Collective Labour Agreement were also examined. This must lead to more options for choices appropriate to the phase of life of employees. In 2014 specific attention was paid to development-oriented work assessment discussions, making work rosters more flexible, more opportunities for work placements, setting up an 'academy' in the Netherlands and a fitness programme

FrieslandCampina wins prize for talent and leadership development

In 2014 FrieslandCampina received the 'Gold Award for Excellence' from the European Foundation of Management Development for its talent and leadership development programme.

Initiatives in other countries

In March 2014 47 employees of FrieslandCampina Kievit in Indonesia, started the The Biggest Loser programme. The aim of this programme, which lasts a year, is to change unhealthy behaviour, learn healthier eating habits and exercise. Many participants succeeded in reaching their personal goals, such as weight loss and a healthier lifestyle. Four participants even managed to lose 20 kilos. Due to the success, in 2015 this programme will once again be offered at FrieslandCampina Kievit in Indonesia. Attention is also paid to employees' health at FrieslandCampina in the Middle East. Experts are invited to advise the employees about the importance of exercise and a healthy diet.

FrieslandCampina signs Youth Agreement

In the Netherlands FrieslandCampina is working to combat youth unemployment by employing more young people and offering work placement opportunities. Towards this end, in 2014 FrieslandCampina signed the Youth Agreement, which states that in 2014 and 2015 FrieslandCampina will accept at least 40 young people for trainee and starter trajectories. FrieslandCampina is also making 150 work placement places available to young people. FrieslandCampina signed the Agreement along with 25 other Dutch companies (the Dutch Minister of Social Affairs and Employment and the Ambassador for Combating Youth Unemployment). Further to this, an agreement with Jet-Net, the Dutch Youth and Technology Network, was signed with the aim of making young people enthusiastic about technology.

Involvement with the Company

Focus on diversity
When recruiting new employees and developing the skills of existing employees, FrieslandCampina takes the diversity of its workforce into account. This applies for both gender and ethnic origin. At the head office in Amersfoort there are more than 15 nationalities working in different layers of the organisation.

FrieslandCampina believes that the planned utilisation of the different qualities of men and women contributes towards a better performance as a company. FrieslandCampina is striving to increase the percentage of women in senior management positions. In 2014 this rose to 19 percent (2013: 14 percent). In 2020 FrieslandCampina wants 30 percent of the top positions in the organisation to be held by women. FrieslandCampina is endeavouring to achieve this goal by paying attention to diversity both when recruiting and selecting employees from outside and through the development and retention of existing talent.

2. Contributing towards feeding the world via a sustainable diet

Partnership between FrieslandCampina and the Dutch Red Cross
In 2012 FrieslandCampina and the Dutch Red Cross signed a five-year partnership agreement. During this period FrieslandCampina is supporting national and international projects run by the Red Cross. In 2014 FrieslandCampina employees once again made significant efforts on behalf of the Red Cross by organising campaigns to collect money for combating the outbreak of the Ebola virus disease in West Africa. Employees and member dairy farmers also collected money via 3FM Serious Request to help girls and women who are victims of sexual violence in conflict areas. Since the partnership started in March 2012 FrieslandCampina has donated a total of nearly 700,000 euro to the Dutch Red Cross.

In 2015 FrieslandCampina is working on the promotion of the Red Cross' 'citizens' network Ready to help. All FrieslandCampina employees can get involved on a voluntary basis. In the event of an emergency situation in the Netherlands this network steps in to offer assistance, for example with filling sandbags or distributing emergency aid.

Over2you employee survey
In September 2014 the second worldwide 'over2You' survey was carried out among all FrieslandCampina employees. The (online) questionnaire was completed by 87 percent of the 22,000 employees. The survey covered topics such as safety & social involvement, involvement in sustainability, line management, customers, cooperation, performance & development, strategy, management style and change capacity.

FrieslandCampina's scores were higher that in 2012 in every area. In addition, FrieslandCampina's scores in 2014 were higher than the international Food & Beverages Industry norm.

The results of the survey showed a high level of involvement and pride among the employees, including regarding FrieslandCampina's corporate social responsibility. Ninety percent of the employees consider FrieslandCampina to be a socially responsible company. There is room for improvement in some areas, such as change management and internal communication. Every department and facility draws-up its own action plan for dealing with the points that need improvement. FrieslandCampina carries out the employee survey once every two years in order to keep its finger on the pulse and continuously improve.

Sharing knowledge about healthy nutrition
FrieslandCampina employees around the world are contributing towards promoting sustainable nutrition. There are a number of programmes that focus on sharing knowledge about nutrition and a healthy diet with mothers and children. Examples include Foremost Mom Talk in Thailand, FrieslandCampina's school milk programme in the Netherlands and the United Way Backpack programme in America. Mom Talk is an online tool for discussing healthy nutrition with mothers. Examples of this are: Foremost Mom Talk in Thailand - an online tool for discussing healthy nutrition with mothers; the aim of the United Way Backpack programme in America is to give deprived schoolchildren a backpack of nutritious food to take home for the weekend and thus ensure they do not start the new school week hungry; within the framework of FrieslandCampina's school milk programme in the Netherlands, around 55,000 children at over 2,800 primary schools drink a cool carton of milk every day during their lunch break. The objective of the United Way Back Pack programme is to give deprived school children a backpack of nutritious food to take home for the weekend. This prevents children from starting the new school week hungry.

3. Contributing towards a lower environmental footprint

Volunteer pool for local farmers in Asia and Africa
Via volunteer pools within the Farmers2Farmer programme, FrieslandCampina employees can use their knowledge and expertise to help dairy farmers in Asia and Africa. In most cases this takes place in cooperation with Agriterra. This involvement can take the form of knowledge transfer, but can also be direct help with building cattle sheds or setting-up the administration. The goal of FrieslandCampina and Agriterra is to send 15 member dairy farmers a year to Asia or Africa. More information about this special cooperation is included in the section 'Development of local dairy farming in Asia and Africa'.

Reuse of materials
FrieslandCampina employees in Thailand, together with students and dairy farmers, collected 39,000 used drink cartons for recycling. In exchange for this FrieslandCampina Thailand contributed towards an ecological roof for the school and notebooks for the students.

4. Working in a safe and green working environment

A safe working environment
Being a good employer starts with providing a safe working environment. At FrieslandCampina the priority is to ensure that everyone worldwide is healthy at the start of the working day and goes home healthy at the end of the day. FrieslandCampina has developed a programme aimed at raising safety awareness throughout the organisation. This programme helps employees identify the risks and create a safer working environment for themselves and others. In 2014 a safety leadership management programme aimed at enabling managers to express even more clearly the importance of safety within their own sectors was rolled-out within FrieslandCampina.

In 2014 significant progress in the field of safety was achieved once again. The number of accidents resulting in sick leave at FrieslandCampina facilities worldwide decreased further from 140 to 94 – a reduction of 33 percent. This means we are ahead of schedule with achieving our original target; 80 percent fewer accidents resulting in sick leave per 200,000 hours worked in 2020 than in 2011. The new, more stringent, target is fewer than 0.05 accidents resulting in sick leave per 200,000 hours worked. This equates to one accident resulting in sick leave a month. And that is still one accident per month too many, because the goal is, naturally, zero accidents.

To protect employees from the major risks and achieve the target, seven 'Life Saving Rules' have been formulated. Everyone who works at or for FrieslandCampina is responsible for his or her own safety and the safety of others.

Visible and inspiring leadership and exemplary conduct in the field of safety form the basis for achieving the target: zero accidents. Zero accidents will be achieved by changing people's behaviour not by setting more rules. Safety management courses have been followed by 100 (facility) managers from around the world. Working safely with contract staff remains a key attention point and working safely with suppliers is a crucial aspect of the safety policy. In 2014 special attention was also paid to safety in the office environment. In 2015 the emphasis is on the sustainable implementation of the 'Life Saving Rules', working safely with contract staff and the further reinforcement of management and (role model) behaviour in the field of safety.

Building a green working environment
Being a good employer is one component of the HR policy for employees, providing a green working environment is another. It makes employees realise that sustainable behaviour starts with them. FrieslandCampina has also implemented other measures to encourage sustainable behaviour.

Local Green Teams
In 2014 Green Teams were active at many facilities in the Netherlands. A team includes one or more members of the Youngstars (a group of young employees), a member of the Works Council and the facility Manager. The Green Teams draw attention to CSR at a local level. In 2014 a number of Green Teams from Dutch production facilities collected products from Christmas boxes and donated them to the Food Bank. In 2014 the Green Team in Veghel participated in The Green Quest, which involved seeking environmentally-responsible and cost-saving measures. More information about this initiative is included in the section 'Efficient and sustainable production chains'. In 2015 FrieslandCampina is focusing on the worldwide roll-out of local Green Teams.

Safety award for eight locations
At 23 FrieslandCampina facilities not a single accident resulting in sick leave took place for a whole year. By the end of 2014 eight facilities had reached 1,000 accident-free days and, for this achievement, received the FrieslandCampina Safety Award introduced in 2014.

The foundations: safeguarding the CSR policy

Sustainability is an integral component of FrieslandCampina's *route2020* business strategy. This has laid the foundations for the CSR policy. In developing the CSR policy FrieslandCampina has explicitly taken global trends, such as a growing world population, aging farmers and a scarcity of natural resources into account (see also the section 'Global challenges'). FrieslandCampina brings its CSR together in the CSR strategy house. This visualises the envisioned safeguarding of the CSR policy by embedding it in the company's day-to-day operations.

The foundations of the strategy house embed the CSR policy within FrieslandCampina. These foundations distinguish four components:

- The governance structure of the CSR policy: comprising the CSR Governance Board, the CSR coordination team and four steering groups for the four priority areas. They are jointly responsible for the implementation of the CSR policy;
- Involvement of stakeholders through dialogue and partnerships;
- Involvement of employees and member dairy farmers;
- A body of agreements, commitments, codes of conduct, policy documents, covenants, reports and certifications that embed CSR and sustainability within FrieslandCampina.

Governance and implementation

FrieslandCampina's CSR policy comes under the responsibility of the Corporate Sustainability Department and the CSR Board. The Corporate Sustainability Department's responsibilities include:

- Setting up and updating the CSR strategy and the CSR policy;
- Conducting the dialogue with stakeholders;
- Coordinating the implementation of the CSR policy and facilitating implementation;
- Involving external interested parties in the CSR policy;
- Communicating the sustainability activities to the internal and external stakeholders;
- Helping the business groups translate the corporate CSR policy into brand policy.

The Corporate Sustainability department gathers the information regarding the progress of the formulated KPIs and provides feedback to the Executive Board and the managements of the business groups and operating companies. The business groups, operating companies and employees are responsible for the implementation of the CSR policy. The Executive Board has the ultimate responsibility for the CSR policy. The Supervisory Board has an advisory and evaluation role.

Stakeholder involvement

Stakeholders are essential for FrieslandCampina, for the continuity of the Company and for the course FrieslandCampina sails. Member dairy farmers, consumers, employees, industrial customers, partners, (local) authorities and social organisations are the Company's primary stakeholders. The selection of stakeholders is based on an assessment of the mutual interest of the stakeholder and FrieslandCampina.

FrieslandCampina maintains structural contact with its most important stakeholders. This keeps the Company up-to-date with their expectations and with relevant developments. In its dialogue with stakeholders FrieslandCampina works on a basis of trust and develops an understanding of what is important to the different parties. This helps FrieslandCampina determine the right priorities and make the right decisions and constitutes important input for the CSR policy.

FrieslandCampina maintains contact with the most important stakeholders, with some more intensively than with others. This CSR Report indicates which topics are discussed with them and the outcomes of these discussions. The table on page 58 summarises the most important topics discussed.

Stakeholders	Topic discussed	Notes	Actions by FrieslandCampina on the basis of this dialogue
The Dutch World Wide Fund for Nature, Solidaridad, Stichting Natuur & Milieu	Ensuring the soy in the cattle feed is sustainable on the basis of the RTRS criteria.	FrieslandCampina has consulted these organisations regarding sustainable soy since 2006. As a result, from 2015 all the feed for the cows in the Netherlands will comply with the RTRS-criteria.	FrieslandCampina, together with the Dutch Dairy Organisation (NZO), organised a broadening of this sustainable soy initiative in surrounding countries (outreach).
Open stakeholder dialogue on the farm with scientists, the authorities and social organisations	Open dialogue regarding FrieslandCampina's sustainability ambitions.	On 10 June 2014 FrieslandCampina met stakeholders at a farm and discussed the ambitions and challenges related to a sustainable dairy sector in order to seek solutions. FrieslandCampina used a live stream to ensure the maximum possible number of stakeholders was reached.	The sustainability programme was refined further on the basis of this dialogue. The input was also used to define the KPIs better.
Open stakeholder dialogue on the farm with scientists, the authorities and social organisations	Open dialogue regarding FrieslandCampina's sustainability ambitions.	Together with social organisations FrieslandCampina is refining the interpretation of the term biodiversity and investigating which measures can be taken to maintain biodiversity.	On the basis of the input from the social organisations, the term biodiversity has been further substantiated and translated into a treatment perspective for the member dairy farmers.
Nature and Environment organisations, such as the World Wide Fund for Nature, Bird Protection and the Louis Bolk Institute	Interpretation of the term biodiversity within dairy farming.	Together with social organisations FrieslandCampina is refining the interpretation of the term biodiversity and investigating which measures can be taken to maintain biodiversity.	On the basis of the input from the social organisations, the term biodiversity has been further substantiated and translated into a treatment perspective for the member dairy farmers.
Member dairy farmers	Making milk production on the farm more sustainable.	The measures for increasing sustainability via *Foqus planet* are explained further during the two member meetings a year.	On the basis of the input from the member dairy farmers the *Foqus planet* programme has been filled in further and since 1 January has been definite.
Government	The increased sustainability of dairy farming necessary due to the lifting of the European milk quota on 1 April 2015.	Intensive consultation with the government in 2014 regarding the measures being taken by the sector. The reduction of phosphate and the maintenance of meadow grazing are also important topics.	The measures agreed with the government have been included in the *Foqus planet* programme. FrieslandCampina rewards member dairy farmers who are active in fields including phosphate efficiency and meadow grazing.
Society	Nutrition and health, sustainability, culture & society and 'across the border'. For more information see www.themilkstory.nl.	The Milk Story casts light on what is already being done, puts key issues on the agenda and looks for solutions. The active involvement of stakeholders with diverse standpoints leads to a balanced debate about the social aspects of milk and dairy.	FrieslandCampina uses the contribution of stakeholders to learn and to tighten up its CSR policy.

Employee involvement

FrieslandCampina's employees work on a daily basis on the implementation of the CSR policy. They do, therefore, play an essential role in embedding the CSR policy within the organisation. Additional information about the employees is included in the section 'Employee involvement'.

Guidelines for safeguarding the CSR strategy house
A broad range of internal and external guidelines form the basis of the CSR strategy house. The most important are listed below.

ISO 26000 guideline with external evaluation

FrieslandCampina's CSR policy is based on the ISO 26000 guideline. This is an international CSR guideline: an instrument to assist businesses and other organisations with the implementation of CSR. In 2014 the implementation of the ISO 26000 criteria on the basis of a self-declaration was once again externally evaluated by Lloyds Register. Lloyds has confirmed the correct implementation of ISO 26000 by all FrieslandCampina companies. The self declaration and the assessment matrix are available to the public on the FrieslandCampina website: www.frieslandcampina.com.

Code of conduct

To promote correct and ethical conduct among its employees, FrieslandCampina has developed a Code of Conduct. This Code affirms that FrieslandCampina considers the United Nations' Universal Declaration of Human Rights to be the universal standard. Other issues covered by the Code include the exclusion of corruption, child labour, forced labour and discrimination of employees (guidelines of the International Labour Organisation) and respect for the employees' right to organise themselves in trade unions.

Compliance is monitored annually and reported to the Supervisory Board's Audit Committee. Employees are asked to report contraventions of the Code of Conduct. In 2014 the Code of Conduct was once again drawn to the attention of the employees, for example by putting practical situations under the microscope. The Code of Conduct is evaluated and assessed every two years.

Whistle-blowers' regulation

In addition to the Code of Conduct FrieslandCampina operates a Whistle-blowers' regulation. The aim of this regulation is the promotion of transparency and integrity. FrieslandCampina encourages its employees to report any actions they suspect, or know, are in contravention of the Code of Conduct. The Regulation protects the whistle-blower from disciplinary measures or unfair treatment. All employees are informed of the regulation and a local confidential officer has been appointed and instructed in each part of the organisation. A Corporate Integrity Committee comprising a member of the Executive Board, the Secretary to the Executive Board and the Corporate Compliance Officer has been formed. The Integrity Committee is responsible for ensuring that the correct procedures for reporting contraventions are followed and also checks, investigates and handles any matters that are reported. The Executive Board reports annually on the activities of the Integrity Committee to the Audit Committee and the Supervisory Board.

Quality system Foqus Food Safety & Quality

FrieslandCampina safeguards food safety and food quality with Foqus Food Safety & Quality (FS&Q), a broad-based quality system that is applicable at both the member dairy farms and FrieslandCampina's production and distribution facilities ('from cow to consumer'). Foqus is based on national and international legislation and Codex standards and takes into account the expectations of customers, consumers and social organisations. Foqus Food Safety & Quality is FrieslandCampina guideline in the development of an increasingly robust production process.

A basic condition of Foqus is that all facilities must have an externally-audited quality certification that complies with the standard of the Global Food Safety Initiative (GFSI). This means that all the companies have an independently-evaluated HACCP system – the basis for the production of safe food. Foqus FS&Q also includes the following components:

- Goal-based regulations with a clear division of responsibilities, for example for change management and crisis management;
- Means-based regulations with clear and detailed requirements, for example for microbiology and hygiene;
- An extensive audit list based on the Deming improvement circle (Plan, Do, Check, Act);
- Guidelines and best practices.

The operating companies can use the audit standard to evaluate their production facilities themselves. The standard is also used by the internal audit team that visits and assesses all production facilities. Every facility is visited on average once every two years, the exact frequency depends on the quality status of the facility concerned. In 2014 36 production facilities were visited to check that the improvement programmes had actually been implemented. Based on these audits goals were set for each business unit. This system ensures continuous improvement.

FrieslandCampina has deliberately opted for an internal audit team: the auditors come from various disciplines (QA, plant management, operations) and carry out their audit task in addition to their other duties. This approach results in more thorough audits with the consequence that the auditors acquire knowledge they can apply and disseminate in their own working environment. Auditors and QA officers follow an extensive training programme followed by regular refresher courses. Read more about Foqus Food Safety & Quality on www.frieslandcampina.com/XXX.

Foqus Environment, Health & Safety and Fire Prevention
Every FrieslandCampina production facility uses an environment and health & safety management system that complies with the specifications of ISO 14001 and OHSAS 18001. FrieslandCampina has developed its own internal standard for this purpose: the Foqus SHE management system. A standardised risk analysis maps all the environmental and health & safety risks at all the facilities. All the facilities report their environmental and health & safety results each year. The environmental and health & safety management system is safeguarded by means of internal and external audits.

Corporate Standard and Guideline: marketing of infant nutrition
FrieslandCampina is committed to improving the health of babies, young children and their carers. The Company supports the recommendations of the World Health Organisation (WHO) that during the first six months a baby should only be breast fed and, after that, breast feeding should be supplemented on a regular basis with safe and appropriate supplementary food. FrieslandCampina's Corporate Standard and Guideline emphasises the importance of the WHO's code of conduct regarding the marketing of infant nutrition and complies with this code of conduct.

In *route2020* FrieslandCampina has stated its ambition is to expand to become a global player in the infant nutrition market. This is why it is even more important that the dairy company operates in accordance with the principles of the WHO's code of conduct and that these principles are embedded in the organisation. An extensive training programme has been developed to ensure that all the marketing and sales department staff who have anything to do with infant nutrition know the rules contained in the Corporate Standard and Guideline and how they must apply them.

By means of a train the trainer approach around 75 representatives of all the departments that are involved know and understand the guidelines for marketing infant nutrition. The Guideline is also distributed to and implemented by around 3,500 employees (including the employees of external bureaus and distributors).

E-learning has been developed in order to guarantee the further sharing of knowledge and to keep the knowledge up-to-date, also for new employees. Since 2014 the programme has been a component of FrieslandCampina's training programme and a new round of audits of the FrieslandCampina Corporate Standard and Guideline has been started.

Crisis and issue management
In the context of issue management FrieslandCampina looks proactively at issues that could have consequences for food safety and the quality of its products. Risk analysis, research and monitoring play an important role in this respect. FrieslandCampina also has a crisis management system the effectiveness of which is checked regularly through audits and evaluations.

The materiality of sustainability themes

In 2014 FrieslandCampina, with the support of PwC, carried out a materiality analysis to determine the content of the annual CSR Report. The outcome, which comprises two steps – was approved by the management.

Step 1: Identification of relevant topics

The objective of the first step was to compile an overview of the relevant topics about which FrieslandCampina should report. A list was drawn-up on the basis of the GRI guidelines, the Sector Supplement for Dairy processing and Food processing, the ISO 26000 guidelines and reports of other concerns in the sector. Where relevant this list was expanded by FrieslandCampina, for example with topics derived from media and location analyses and from consultation with internal stakeholders.

FrieslandCampina then determined the relevance of each topic separately. Topics are relevant if they are, or could be, impacted by FrieslandCampina (either within the organisation or within the chain). This was determined on the basis of the Company's own activities, the results of the analyses that had been carried out and internal consultation.

Step 2: Specification of reporting priorities

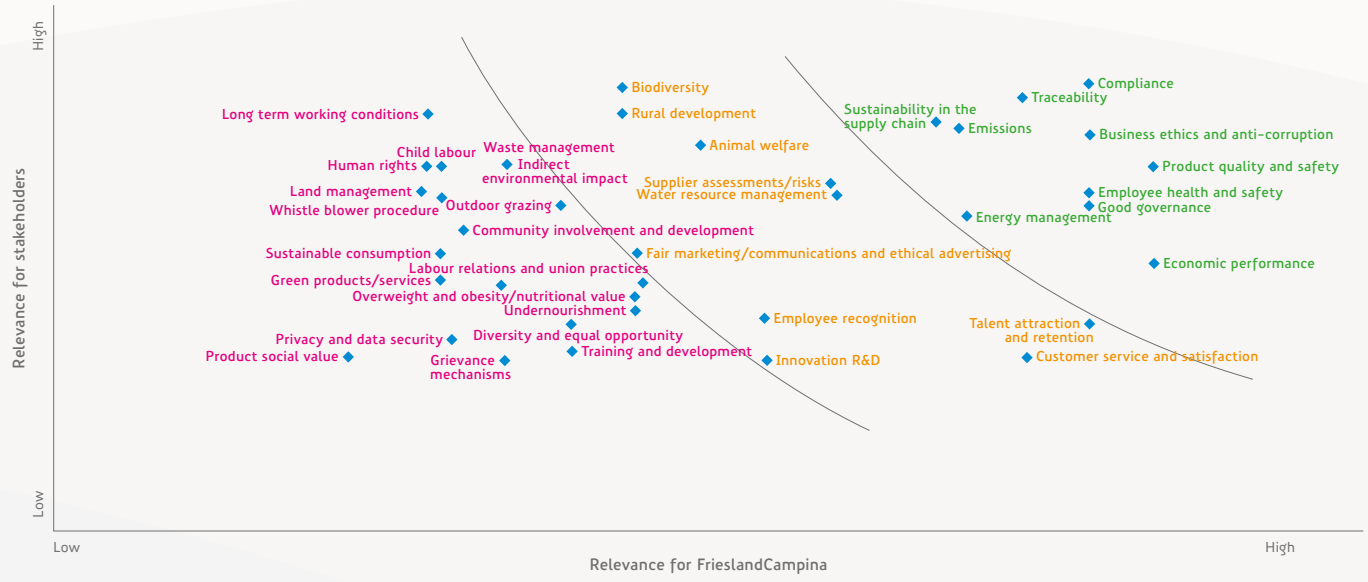
In the second step all the relevant topics were ranked on priority. In determining the priority the first criteria was the importance for FrieslandCampina and the second the importance for the stakeholders. FrieslandCampina recognised two topic categories:

- Material topics: topics for which FrieslandCampina endeavours to play a leading role and, therefore, should be included in the CSR policy. These topics form the main themes of this Sustainability Report.
- Not-material topics: These topics are monitored, but not reported.

The most important material topics are:

1. Compliance with legislation and regulations
2. Traceability
3. Ethics and anti-corruption
4. Food quality and safety
5. Employee safety and health
6. Good governance
7. Economic performance
8. Emissions
9. Energy management
10. Sustainability in the chain

The material topics and their safeguarding are explained in more detail below.



1. Compliance with legislation and regulations

The Executive Board is responsible for compliance with legislation and regulations, the management of the risks coupled with the Company's activities and the financing of the Company. The Executive Board discusses the internal risk management and control systems with the Supervisory Board and the Audit Committee. See also the section 'Corporate governance' in the Financial Annual Report.

In the performance of its duties the Executive Board is led by the interests of the Company and its subsidiaries and associates.
FrieslandCampina's Code of Conduct plays an important role in managing compliance risks. The Code stipulates the standard of conduct expected of all employees, including compliance with applicable legislation and regulations. FrieslandCampina also has a Whistle-blowers' regulation. FrieslandCampina encourages its employees to report any actions they suspect, or know, are in contravention of the Code of Conduct via the Whistle-blower's regulation.

2. Traceability

The traceability of FrieslandCampina's products is stipulated in EU Regulation 178/2002, art. 18. This statutory obligation means that FrieslandCampina must register the person or organisation to whom/ which its products are delivered/sold. FrieslandCampina must also register the source from which the Company has purchased products. For the Netherlands the Netherlands Food and Consumer product Safety Authority (NVWA) has developed a so-called 'reporting indicator'. The enforcement of the statutory obligations related to traceability is specified in the Foqus FS/QA quality system. This Foqus FS/QA system is applicable for the entire concern.

3. Ethics and anti-corruption

FrieslandCampina's Code of Conduct plays an important role in managing compliance risks. The Code stipulates the standard of conduct expected of all employees, including compliance with applicable legislation and regulations. FrieslandCampina also has a Whistle-blowers' regulation. FrieslandCampina encourages its employees to report any actions they suspect, or know, are in contravention of the Code of Conduct via the Whistle-blower's regulation.

4. Food quality and safety

To safeguard the safety and quality of its products throughout the entire production chain FrieslandCampina has its own integral quality system, called Foqus. With Foqus FrieslandCampina offers consumers, customers and the authorities the guarantee that the products and production processes meet the stringent standards in the field of food safety, quality, safety, working conditions, fire protection and environment. An extensive programme of training courses and audits helps safeguard the implementation and continuous monitoring of Foqus in the production facilities, on the member dairy farms and at the suppliers of raw materials.

FrieslandCampina, together with the Cooperative's member dairy farmers, commands the entire production chain from farm to end product. The guiding principles of the quality control are the statutory stipulations supplemented with additional demands. The various international standards, such as GMP+, HACCP, ISO 9001, ISO 22000, FSSC22000, OSHAS 18000 and ISO 14000 are integrated into Foqus so that both FrieslandCampina's customers and the consumers can be assured that the products are safe and of the highest quality. The Foqus stipulations are reviewed, and if necessary revised, each year to ensure the system always reflects the latest knowledge and insights.

Continuous improvement is the starting point of the Foqus programme and the driving force behind various investment projects. This has led, for example, to steps being taken at various production facilities in the Netherlands and also at the Alaska Milk Corporation in the Philippines. During 2014 investments in the improved safeguarding of food safety, including through the building of a new laboratory, also took place at FrieslandCampina Wamco Nigeria.

Foqus commands the entire production chain 'from grass to glass' and starts with the Cooperative's member dairy farmers. In 2014 *Foqus planet*, the sustainability programme for member dairy farmers, was completely reviewed. Safeguarding quality and food safety has received even more emphasis and the further stimulation of sustainability in dairy farming is also a key factor via various programmes through which member dairy farmers can achieve additional income. Transparency and a clear and dynamic bonus/fine policy are a priority.

In 2014 extra attention was paid to safeguarding the quality and safety of the cattle feed fed to the member dairy farmers' cows. Member dairy farmers may only purchase feed from suppliers with GMP+ certification and appropriate liability insurance. From 2015 the soy in the feed must be 100 percent sustainably produced. Together with the Dutch Dairy Organisation (NZO) FrieslandCampina has worked towards the setting-up of a new organisation, SecureFeed, that must improve the safeguarding of cattle feed quality. In the future dairy farmers will only be allowed to purchase cattle feed from companies affiliated with SecureFeed.

5. Employee safety and health

Safeguarding the safety and health of employees and contractors has the highest priority for FrieslandCampina. In 2014 significant progress in the field of safety was achieved once again. The number of accidents resulting in sick leave at FrieslandCampina facilities worldwide decreased further from 140 to 94 – a reduction of 33 percent. This means we are ahead of schedule with achieving our original target; 80 percent fewer accidents resulting in sick leave per 200,000 hours worked in 2020 than in 2011. The new, more stringent, target is fewer than 0.05 accidents resulting in sick leave per 200,000 hours worked. This equates to one accident resulting in sick leave a month. And that is still one accident per month too many.

6. Good governance

The Corporate Governance principles followed by Royal FrieslandCampina N.V. are laid down in the Articles of Association and the Regulations of the Company's various bodies, all of which are published on the Company's website. Although the Code is not applicable to the Company, because according to the Law only stock exchange listed companies are governed by the Code, the Company applies the principles and best practices provisions of the Code that are compatible with its structure of authority and the nature of the Cooperative. The provisions that are not applied are specified in the Financial Annual Report along with the reasons why they are deemed inappropriate. During the year under review there were no structural changes to the governance structure.

On the basis of the goals per CSR pillar KPIs have been formulated. The CSR pillars are: Nutrition & health Development of local dairy farming in Asia and Africa; Efficient & sustainable production chains, and Sustainable dairy farming. Each CSR pillar has a designated responsible person at the management level. The CSR Board (Chaired by the CEO) evaluates the targets per quarter. The designated responsible managers are members of the CSR Board along with the Human Resources Director, the Corporate Communication & Sustainability Director and the Corporate Manager Sustainability. This is a supplement to the Notes regarding the governance of the CSR policy contained in the Financial Annual Report.

7. Economic performance

FrieslandCampina's ambition is to create the most successful, professional and attractive dairy company for member dairy farmers, employees and customers as well as for consumers and society. The world market's growing demand for healthy, sustainably-produced food offers FrieslandCampina opportunities.

To fulfil this ambition FrieslandCampina formulated the *route2020* strategy for the period 2010-2020. The key words are sustainable growth and value creation: the sustainable growth of the Company and the maximising of the value of all the milk produced by the Cooperative's member dairy farmers.

Sustainable growth
In 2014 FrieslandCampina was unable to achieve growth in all three growth categories – infant nutrition, dairy-based beverages and branded cheese. In 2014 total sales volume was 2.4 percent lower than in 2013. Infant nutrition achieved 5.7 percent volume growth in the consumer and business-to-business markets (2013: 10.8 percent), primarily due to the growth of Friso in China and Hong Kong. The volume in the dairy-based beverages category decreased by 5.4 percent due to higher sales prices in Asia and Africa and lower consumption in Western Europe. The volume in the branded cheese category decreased by 14.5 percent as a result of lower sales in Western Europe and the Russian boycott of dairy products. The volume of commodities rose by 5.9 percent due to the increased supply of milk from member dairy farmers and the lagging demand for dairy-based beverages and branded cheese. In 2014 nearly 40 percent more milk powder was produced than in 2013.

Value creation for member dairy farmers
In 2014, on top of the guaranteed price a total of 277 million euro (2013: 282 million euro) was distributed to member dairy farmers of which the performance premium accounted for 176 million euro (1.86 euro per 100 kilos of milk excluding VAT). The distribution of member bonds for 2014 amounted to 101 million euro (1.07 euro per 100 kilos of milk excluding VAT). In total the Company's value creation per 100 kilos of milk amounted to 2.93 euro (2013: 3.04 euro), a decrease of 3.6 percent.

8. Emissions
The emissions resulting from the production or processing of milk are dealt with in the section 'Efficient and sustainable production chains' (processing) and the section 'Sustainable dairy farming' (production). The most important are the greenhouse gas (CO_2, CH_4 and N_2O) emissions and mineral emissions into water (COD, nitrate and phosphate). Reduction programmes are described in the relevant section.

9. Energy management
The Dutch dairy sector (production and processing) has also set itself the goal of achieving a minimum annual energy efficiency improvement of two percent a year. This has been laid-down in the multi-year energy efficiency agreement (MJA-3) and the Clean and Economical Agricultural Sectors Covenant (Convenant Schone en Zuinige Agrosectoren). This Covenant comprises a series of agreements that FrieslandCampina, as part of the Dutch Dairy Organisation (NZO), has concluded with the Dutch government. These agreements focus on targets for energy-savings, greenhouse gas reduction and renewable energy generation.

All European facilities must comply with the stipulations of the European Energy Directive (EED), in which the obligations of the energy manager are specified. The national governments have implemented the EED in legislation and regulations. Production facilities outside Europe must comply with the energy management obligations specified in Foqus SHE.

10. Sustainability in the chain
The FrieslandCampina production chain comprises two main streams: 1. the raw milk supplied by the member dairy farmers and the suppliers, and 2. the ingredients for the FrieslandCampina products, such as fruit, sugar, starch, cocoa, palm oil and soy oil. The goals related to the sustainability of the raw milk are formulated in the pillar 'Sustainable dairy farming'. The goals related to the supplied agricultural raw materials are formulated in the pillar 'Efficient and sustainable production chains'. All suppliers must comply with FrieslandCampina's business practices. Suppliers who do not comply with FrieslandCampina's business practices are excluded. A plan for further improvement has been drawn-up for each raw material. The goal is that in 2020 all agricultural raw materials in FrieslandCampina's products are produced responsibly.

Reporting principles

With its 2014 CSR Report FrieslandCampina is informing its stakeholders regarding its Corporate Social Responsibility performance and goals. This Report supplements the 2014 (Financial) Annual Report.

Scope
The target group for this Report is FrieslandCampina's stakeholders and other interested parties. The scope of this Report includes all the entities for which FrieslandCampina holds management responsibility. The Report covers the whole of the 2014 calendar year. Information relating to acquisitions that take place during a reporting year is included as of the first following full calendar year. Information regarding activities disposed of in the course of a reporting period is excluded from the Report for that year.

Reporting guidelines
The reporting criteria for reporting FrieslandCampina's sustainability information are based on the guidelines of the Global Reporting Initiative (GRI) version 4 (G4). The GRI guidelines are worldwide the most accepted guidelines for the compiling of (social) annual reports. The guidelines can be found on www.globalreporting.org. In its 2014 CSR Report FrieslandCampina has reported on the basis of G4 at application level 'core'. The CSR Report and the full GRI table are available on www.frieslandcampina.com.

Determination of the content
The selection of the topics is based on FrieslandCampina's CSR strategy and has been determined on the basis of a materiality analysis carried out in 2014. In this way the delineation/content of the Report is tuned to the information requirements of stakeholders and the outcome of the materiality analysis. In the materiality analysis the degree of importance of topics was compared with the importance external interested parties attach to them. The analysis that was carried out and the outcomes of the analysis are explained on page 61. The selection of indicators is based on the outcomes of the materiality analysis and the availability of quantitative data.

Definitions and measuring methods
The Corporate Sustainability department and the CSR Board are responsible for collecting and verifying the reported information. The information is supplied by the production facilities and the various brands and staff departments concerned. Environmental and employee safety information is requested monthly by means of a central environmental data system. The number of FTEs is based on information contained in the financial systems. The data concerning absenteeism through sickness and diversity (age, gender, region) is requested separately and collected. The reported data covers 98 percent of the workforce.

No uncertainties in or inherent limitations to the data were identified as a result of the measurement, estimation or calculation of data. Data was not estimated unless stated otherwise. Any changes to the definitions and measurement methods of the reported data compared to an earlier reporting period are indicated along with the data.

External verification
As of the next CSR Report FrieslandCampina intends asking its external auditor to verify its CSR Report and provide an auditor's declaration to that effect.

Glossary

CDM
Continue DiergezondheidsMonitor (CDM) (on-going Animal Health Monitor) is a continuous monitoring of animal health based on existing information The system provides cattle farmers with a great deal of practical information regarding animal health monitoring.

Codex
The Codex Alimentarius Commission (Codex) is an international forum that develops international standards for food products with the aim of protecting international public health and promoting fair trade in the food trade.

Convenant Schone en Zuinige Agrosectoren (Clean and Economical Agriculture Sectors Covenant)
Agreements with various parties regarding energy-saving, sustainable energy use and generation, and the reduction of greenhouse gases in the Netherlands.

CSR
Corporate Social Responsibility.

DDD/J
The use of antibiotics is expressed in the unit DierDagDosering per jaar (DDD/j). This indicates the average number of days in a year that an animal has been given the amount of antibiotic that constitutes a daily dose for that animal.

Dutch Sustainable Growth Coalition
A cooperation between the most important Dutch companies.

De Duurzame Zuivelketen (The Sustainable Dairy Chain)
De Duurzame Zuivelketen is a unique initiative whereby the dairy industry and dairy farmers strive across the full breadth of the chain to make the Dutch dairy sector the world leader in the field of sustainability.

Foqus planet
Sustainability programme for dairy farming.

FTE
Full time equivalent: the number of employees based on full-time employment.

GRI
Global Reporting Initiative (GRI) is the international guideline for reporting on sustainability and Corporate Social Responsibility.

ISO 9001
A standard containing specifications relating to an organisation's quality-management system and the way in which the quality policy is handled.

ISO 14001
One of the standards in the ISO 14000 series. This standard is applied worldwide to set up and certificate environmental management systems.

ISO 26000
A guideline with various objectives aimed at helping organisations implement CSR.

JOGG
The JOGG-initiative (Jongeren Op Gezond Gewicht) (Young people at a healthy weight) was launched in the Netherlands in 2010. Since 2014 JOGG has been a Foundation and FrieslandCampina has once again committed to making an active contribution for the following three years. The objective of JOGG is to make regular exercise and more healthy eating habits the norm for young people.

LTA Rate
The Lost Time Accidents Rate (LTA) indicates how many accidents have occurred per 200,000 hours worked.

MJA-3
The multi-year energy-efficiency agreements between the Dutch government and companies and institutions regarding the more effective and efficient use of energy.

NGO
Non Government Organization.

NZO
The Nederlandse Zuivel Organisatie NZO (Dutch Dairy Organisation)is the branch organisation for the Dutch dairy industry.

OHSAS 18001
A guideline in the Occupational Health and Safety Assessment Series.

RSPO
The Round table on Sustainable Palm Oil is a non-profit association that brings together stakeholders from seven sectors of the palm oil industry in order to develop and implement global standards for sustainable palm oil.

RTRS
The Round Table on Responsible Soy (RTRS) is an international platform in which soy growers, soy traders, the processing industry, banks and social organisations work together to develop and implement sustainability criteria for global soy production.

SAI Platform
The Sustainable Agriculture Initiative (SAI) is a platform set-up by the food industry for worldwide communication on and active support of the development of sustainable agriculture where various stakeholders in the food chain are involved.

UTZ Certified
A worldwide certification programme for responsible coffee, tea and cocoa.

Meadow milk
Milk from cows that between spring and autumn are put out to pasture for a least 6 hours a day on at least 120 days.

WHO
The World Health Organisation (WHO) is a specialist organisation of the United Nations.

FrieslandCampina
nourishing by nature

Every day Royal FrieslandCampina provides millions of consumers all over the world with food that is rich in valuable nutrients. With annual revenue of 11.3 billion euro, FrieslandCampina is one of the world's five largest dairy companies.

FrieslandCampina supplies consumer products such as dairy-based beverages, infant nutrition, cheese and desserts in many European countries, in Asia and in Africa. Products are also supplied to professional customers, including cream and butter products to bakeries and catering companies. FrieslandCampina also supplies ingredients and half-finished products to manufacturers of infant nutrition, the food industry and the pharmaceutical sector around the world.

FrieslandCampina has offices in 32 countries and employs over 22,000 people. FrieslandCampina's products find their way to more than 100 countries. The Company's central office is in Amersfoort, the Netherlands.

FrieslandCampina's activities are divided into four market-oriented business groups: Consumer Products Europe; Middle East & Africa; Consumer Products Asia; Cheese, Butter & Milkpowder and Ingredients.

The Company is fully owned by Zuivelcoöperatie FrieslandCampina U.A., with over 19,000 member dairy farmers in the Netherlands, Germany and Belgium one of the world's largest dairy cooperatives.

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