



**SECOND PARTY<sup>1</sup> OPINION ON SUSTAINABILITY OF  
FRIESLANDCAMPINA'S "GREEN SCHULDSCHEIN" (Green Bond)**

Issued in February 2016

**SCOPE**

Vigeo Eiris was commissioned to provide an independent opinion on the sustainable credentials of the "Green Schuldschein" to be issued by FrieslandCampina, based on the overall Green Debt Instrument framework, according to the Vigeo Eiris Environmental, Social and Governance (ESG) assessment methodology. The opinion is based on the review of the three components of a sustainable green bond, in line with the Green Bond Principles:

- Issuer: Analysis of the issuer ESG performance, controversies on ESG issues and capacity to mitigate these risks.
- Project framework: Analysis of the eligible projects categories and expected sustainability benefits (use of proceeds), the evaluation and selection process and the ESG integration.
- Reporting framework: Assessment of reporting capacity and commitments for projects fund allocation, sustainability benefits and ESG project management.

Vigeo Eiris's sources of information are gathered from the issuer, press content providers and stakeholders. Vigeo Eiris reviewed documents supplied by the issuer and conducted interviews with people from across different FrieslandCampina departments.

**VIGEO EIRIS OPINION**

Vigeo Eiris confirms that the bond to be issued by FrieslandCampina is a "Green Schuldschein", aligned with the Green Bond Principles and Vigeo Eiris' level of assurance on the sustainability of the bond is reasonable<sup>2</sup>:

- The issuer displays an overall robust<sup>2</sup> ESG performance (see Part I.).
- The net proceeds of the issuance will be used to finance and refinance Sustainability projects, which contribute to climate change mitigation and natural resources protection, to local development and promotion of healthy lives. In addition, Eligible Projects will meet a set of Environmental, Social and Governance (ESG) criteria, which covered specific ESG risks for defined Eligible Projects categories (see Part II.).
- The reporting commitments cover the selection of Eligible Projects, the estimate of environmental and social benefits and other additional ESG factors, showing an overall consistent level of transparency and a consistent capacity to report on the Green Schuldschein (see Part III.).

**Part I. ISSUER**

Level of the issuer's ESG performance:

As of January 2016, FrieslandCampina's overall approach to manage its CSR performance is considered to be robust. FrieslandCampina addresses the ESG issues related to the Food sector in a rather homogenous way. The Company achieves robust scores for its Governance, Environmental and Social pillars, as it reports on extensive commitments and means to address most of the relevant topics under review.

ESG risk mitigation:

Vigeo Eiris's level of assurance on FrieslandCampina management of the ESG risk factors of the Company, related to its human capital, reputation, operational and legal security, is reasonable.

Stakeholder-related ESG controversies<sup>3</sup>:

As of December 1<sup>st</sup> 2015, FrieslandCampina faced two allegations, one case related to product safety is considered as significant in terms of level of severity, while the second case related to anti-competitive-practices is considered as minor, based on the analysis of their impact on both the Company and its stakeholders. FrieslandCampina is reactive and announced remedial actions for impacted stakeholders in response to both cases.

## **Part II. PROJECT FRAMEWORK**

### Use of proceeds:

In line with its 2016 updated CSR strategy, especially consistent with each of the three strategic pillars, and with the Dairy Sustainability Framework (DSF), FrieslandCampina will finance and refinance, in whole or in part, Eligible Projects, including three Sustainability Projects categories which are clearly defined:

- Reduction of environmental footprint of production factories
- Sustainable farmer development
- Development of healthier products

These projects include existing, on-going and/or future projects which are located in FrieslandCampina's locations worldwide.

Eligible Projects' contribution to sustainable development is positive, due to expected environmental benefits on climate change and natural resources protection and social benefits on contribution to local development and promotion of healthy lives.

### Process for project evaluation and selection:

The process for evaluation and selection of Eligible Projects to be financed and refinanced is defined and publically available on the issuer website, through the hereby document, and relies on criteria which are exhaustive including:

- Use of proceeds criteria, based on the definition of each Eligible Projects category.
- Additional ESG eligibility criteria, defined for each category, including mandatory and optional criteria, applied where feasible and appropriate, according to material sustainability issues.

We consider that specific ESG risks for each defined Eligible Projects categories are covered by both mandatory and optional criteria, and that the consideration of optional criteria, when relevant and applicable, should be systematically expected.

A list of selected Eligible Projects will be set up by a dedicated committee, based on internal expertise, and submitted to the CSR Board for validation and selection. The list of selected Eligible Projects to be financed by the proceeds of the Schuldschein will be updated on a bi-annual basis, and according to the requirements of the Green debt Instrument framework.

Vigeo Eiris considers that the evaluation and selection process is clearly defined in line with FrieslandCampina's CSR strategy and the Dairy Sustainability Framework, and the integration of sustainability issues in the issuer's commitments is robust.

## **Part III. REPORTING FRAMEWORK**

FrieslandCampina commits to report annually and until the maturity date of the Schuldschein, in an investor-dedicated Green Schuldschein report, on:

- Use of the Green Schuldschein proceeds: list of financed production facilities, development programmes and products, with related description of key projects implemented, and fund allocation.
- Sustainability benefits, based on annual estimates, collected at category level, and aggregated at bond level, on:
  - Environmental benefits of each factory on energy, GHG emissions, waste and water issues
  - Social benefits of each programme on improvement of farmers' livelihood and milk quality and of each product on optimization of nutritional value

Concerning responsible management of selected projects to be financed, the issuer is committed to report at corporate level only, through the annual CSR report. Eligible Projects are fully integrated in that overall annual corporate reporting, which covers integration of all ESG issues. No information will be provided at project level, which is an area of improvement.

Projects will be added to the report once the issuer has approved and determined a factory / programme / product as eligible.

Selected reporting indicators are exhaustive and relevant regarding the use of proceeds and environmental and social outcomes, showing a consistent capacity to assess and report transparently on fund allocation and on sustainability benefits. Based on the corporate ESG reporting, without precise view at project level, the information on responsible management of financed projects is partial, showing a limited level of transparency on the latter.

Vigeo Eiris provides a reasonable level of assurance on FrieslandCampina' reporting commitments.

## INDEPENDENT ASSURANCE

FrieslandCampina's Green Schuldschein issuance is supported by independent assurance provided by:

- The hereby **Second Party opinion** on sustainability credentials of the Green Schuldschein, based on pre-issuance commitments and covering all the bond dimensions, i.e. issuer commitments, project (use of proceeds and ESG integration) and reporting (purpose of this mission).
- A **Third Party** through an external ESG and/or financial auditor, on the annual verification of the tracking Schuldschein proceeds, the compliance of the selected projects with the above eligibility process and the reporting metrics, during the fund allocation process, until the maturity date of the Schuldschein.
- The **periodic review**, every 3 years, over the term of the Schuldschein of the Second Party opinion, based on post-issuance findings, on the sustainability credentials of the Green Schuldschein and reaffirm conformance with pre-issuance commitments and with the Green Bond Principles.

More detailed results are provided in the next pages for each component.

*This opinion is valid as of the date of issuance limited to FrieslandCampina's Green Schuldschein*

Paris, January 29<sup>th</sup> 2016

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### Disclaimer

Transparency on the relation between Vigeo Eiris and the issuer: Vigeo Eiris has never executed any consultancy activity for FrieslandCampina until so far and no established relationship (financial or others) exists between Vigeo Eiris and FrieslandCampina.

This opinion aims to explain for investors why the Green Schuldschein is considered as sustainable and responsible, based on the information which has been made available to Vigeo Eiris and which has been analyzed by Vigeo Eiris. Providing this opinion does not mean that Vigeo Eiris certifies the materiality, the excellence or the irreversibility of the projects financed by the Green Schuldschein. FrieslandCampina is fully responsible for attesting the compliance with its commitments defined in its policies, for their implementation and their monitoring. The opinion delivered by Vigeo Eiris neither focuses on financial performance of the Green Schuldschein, nor on the effective allocation of funds' use of proceeds. Vigeo Eiris is not liable for the induced consequences when third parties use this opinion either to make investments decisions or to make any kind of business transaction. The opinion delivered on stakeholder-related ESG controversies is not a conclusion on the creditworthiness of FrieslandCampina or its financial obligations.

<sup>1</sup> **Second Party Opinion – Green Bond Principles:** This opinion is to be considered as the "Second Party Opinion" described in the Voluntary Process Guidelines for Issuing Green Bonds, issued by Green Bond Principles, March 27<sup>th</sup> 2015.

<sup>2</sup> Vigeo Eiris's scales of assessment (detailed definitions are available on page 11):

Performance : Advanced, Robust, Limited, Weak.

Level of Assurance : Reasonable, Moderate, Weak.

<sup>3</sup>The opinion delivered on stakeholder-related ESG controversies is not a conclusion on the creditworthiness of FrieslandCampina or its financial obligations.

## DETAILED RESULTS

### Part I. ISSUER

#### Level of the issuer's ESG performance:

As of January 2016, FrieslandCampina displays an overall robust ESG performance.

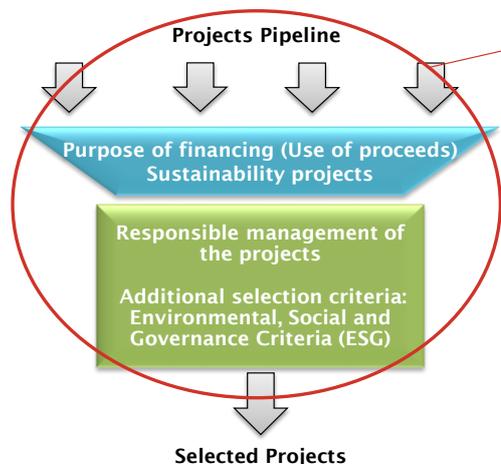
Domain	Comments	Opinion assessment level
Environment	FrieslandCampina demonstrates a robust absolute score on the Environment pillar. Commitments are made and means reported to address every environmental issues related to the Company's upstream activities. Measures are said to be in place and extensive to address environmental factors in the supply chain as well. The main area for improvement relates to packaging eco-design, especially FrieslandCampina could raise the visibility of its commitment to packaging and devote additional measures to this matter. The Company discloses results indicators on its water and energy use, biodiversity, phosphorus, nitrogen and COD emissions, CO <sub>2</sub> emissions from transportation and energy consumption and CFC and HCFC emissions, showing positive trends.	Advanced
		Robust
		Limited
		Weak
Social	<p>FrieslandCampina attains a robust absolute score in the Human Resources domain. The performances achieved in the sustainability drivers under review are somehow heterogeneous with advanced scores on reorganisation and health and safety but a limited score on career management. Indeed, the Company has implemented highly relevant measures to address the latter, but could improve its related reporting. One FrieslandCampina's clear strength appears to be the measures it implements to limit the impacts of reorganisations, which led to advanced results on this issue.</p> <p>Besides, FrieslandCampina attains a limited absolute score in the Human Rights and Community Involvement domains. The Company discloses general commitments to fundamental labour and human rights, and a relevant commitment mentioning most of its responsibilities in terms of non-discrimination. Measures are reported to be in place only to address the latter two. Results indicators are disclosed on the share of women in management positions, showing a positive trend.</p> <p>The Company has a robust performance on social and economic development, mainly leads by the implementation of its Dairy Development Programme. FrieslandCampina's performance is more limited on access to products in spite of a visible commitment and means on obesity and malnutrition. Some results indicators disclosed on access to food show positive trends, but the reporting could be broadened.</p> <p>Product safety, labelling and marketing appear to be strengths of the Company which displays extensive commitments to these issues, and reports on comprehensive measures. Areas of improvement remain on the integration of labour standards in the supply chain, for which FrieslandCampina could take support from its robust performance on environmental integration in the supply chain.</p>	Advanced
		Robust
		Limited
		Weak
Governance	<p>FrieslandCampina's absolute performance in the Corporate Governance domain is robust. The Supervisory Board includes four external members, one of them being member of the Remuneration &amp; Selection Committee and two of them being members of the Audit Committee. Audit and internal controls and executive remuneration are amongst the Company's strengths, with positives being that the internal control system covers CSR risks, and variable remuneration is linked to predetermined and disclosed CSR performance conditions.</p> <p>With regards to Business Behaviour, the Company discloses formalised commitments to the vast majority of topics under review. Noteworthy, the Company reviewed its Code of conduct during the fiscal year 2015. The new document (Compass) displays a comprehensive approach to tackle corruption and anti-competitive practices.</p>	Advanced
		Robust
		Limited
		Weak

#### Stakeholder-related ESG controversies:

- **Frequency:** As of December 2015, FrieslandCampina faces isolated allegations: the Company is involved in 2 stakeholder-related ESG controversies, regarding product safety and anti-competitive practices.
- **Severity:** The level of severity is minor for the case related to anti-competitive practices and is significant for the case related to product safety.
- **Responsiveness:** FrieslandCampina is overall remediative: the Company reports transparently and remedial actions have been taken on both cases.

Sources: Factiva research and Company's sources

## Part II. PROJECT FRAMEWORK



### Project Evaluation and Selection Framework

1. Ensure the Green Bond proceeds will finance **Eligible Projects** with the purpose of financing **sustainability projects**:
  - Reduction of environmental footprint of production factories
  - Sustainable farmer development
  - Development of healthier products
2. Attest the **Sustainable Value and responsible management of these projects**, through Environmental, Social and Governance (ESG) selection criteria approved for each CSR project category, in line with Route 2020, the DSF and ESG relevant drivers

A list of selected Eligible Projects will be set up by a dedicated committee, composed of Sustainability, Supply chain and Finance departments, based on internal expertise, and submitted to the CSR Board for validation and selection. The list of selected Eligible Projects to be financed by the proceeds of the Schuldschein will be updated on a bi-annual basis, and according to the requirements of the Green Debt Instrument framework.

### Use of proceeds:

The net proceeds of the Green Schuldschein issuance will be used to finance and refinance, in whole or in part, Eligible Projects, which include three Sustainability Projects categories and will meet a set of additional Environmental, Social and Governance (ESG) selection criteria evaluated by Vigeo Eiris.

These projects include existing, on-going and/or future projects which are located in FrieslandCampina's locations worldwide

- "Future project" means project that has been approved, but will be implemented in 2016 and beyond
- "Existing and On-going project" means project that has been implemented in 2014-15, still under progress or finished

Use of proceeds criteria and expected environmental or social benefits have been defined in the table below:

Eligible categories	Definition	Project examples (but no limited to)	Sustainability benefits
1.Reduction of environmental footprint of production factories	Investments in production facilities (products, processes, infrastructure and systems) building, renovating, replacing or expanding, with environmental performance goals of sustainable operating way	Production facilities concerned : - Borculo - Leeuwarden - Philippines - Veghel  Examples of concrete projects that could be carried out at plant level, as detailed in the environmental criteria (page 6): energy efficiency, energy monitoring, renewable energy (biogas, geothermal, wind and solar energy), lower GHG emissions content, water efficiency, wastewater treatment upgrade...	- Climate change mitigation  Energy savings and GHG emissions reduction / avoidance  - Protection of natural resources (optional)  Water savings and improvement of waste recycling
2.Sustainable farmer development	Expenses for dairy development programmes in Indonesia, Thailand, Vietnam, Malaysia, China and Nigeria, aiming at improving the livelihood of farmers in Asia and Africa and producing sustainable dairy products that meet quality standards	- Dairy4Development in Indonesia - Dairy4Growth in Vietnam - Dairy Development Programme Nigeria - Sino Dutch Dairy Development Center	- Socio-Economic development, improving farmers' livelihood  Improvement of skills and knowledge of farmers

Eligible categories	Definition	Project examples (but no limited to)	Sustainability benefits
3. Development of healthier products	Expenses to develop, produce and distribute healthier products, in the first two years after launch, based on health criteria and nutritional guidelines to meet the FC Global nutritional Standards, which comprise: <ul style="list-style-type: none"> <li>- essential nutrients coming from dairy (protein, calcium)</li> <li>- enrich with nutrients to help prevent deficiencies</li> <li>- limit added sugar, salt, fat and calories</li> </ul>	<ul style="list-style-type: none"> <li>- 'Optimel pure', innovative product with optimal range of 0% fat, no added sugar, natural fruit and no artificial sweetness</li> <li>- Gouda cheese, with salt reduction of 15% between 2007 and 2010 and of 10% more in 2015</li> <li>- Sugar reduction programme, working on techniques and formula to reduce sugar</li> </ul>	<ul style="list-style-type: none"> <li>- Promotion of healthy lives, by optimizing the nutritional value of products</li> <li>Reduction of sugar or salt or fat or calories in products</li> <li>Level of essential nutrients coming from dairy and of added nutrients to help prevent deficiencies</li> </ul>

The Eligible Projects' contribution to sustainable development is positive:

- Sustainability benefits of these projects have been described and will be assessed annually, using impact reporting (see Part III.).
- The associated objectives and expected benefits are visible, precise, measurable and relevant.

Process for project evaluation and selection:

FrieslandCampina has committed to attest the responsible management and sustainable value of the financed projects, through additional Environmental, Social and Governance (ESG) Selection Criteria, including mandatory and optional criteria, which have been developed by FrieslandCampina for each category taking into account the existing FrieslandCampina's CSR strategy, and evaluated by Vigeo Eiris.

- **Mandatory criteria:** the following criteria are mandatory for the selection of Eligible Project.

Sustainability Criteria	Commitment and supporting elements
<b>I.Reduction of environmental footprint of production factories</b>	
Energy and climate	Energy and GHG savings <ul style="list-style-type: none"> <li>- In line with the climate-neutral growth ambition, reduction of GHG emissions at plant level of at least 20% per tonne of product compared with 2010, after project completion / implementation, through investments in lower GHG emissions content and/or energy efficiency products, technologies, processes and systems with exclusion of GHG-intensive fossil fuel efficiency, and/or in energy recovery</li> </ul>
	Renewable energy <ul style="list-style-type: none"> <li>- Development of green electricity at plant level (where feasible), in line with the Company objective to use 100% of green electricity for all the FrieslandCampina production facilities in 2020, based on green certificates (Green Electricity Tariffs/Green Energy Contracts)</li> </ul> <u>Note:</u> Biogas production only with gas extracted from wood chips, cow manure, sewage sludge and/or organic household waste from the chain, located in the area of the production facility, and without agricultural and forestry competition
Environmental management and eco-design	Environmental management system is in place at plant level, based on the Foqus Safety, Health and Environment (SHE), and an environmental referent, in charge of the environmental management and monitoring, is designated for the plant
	Project specifications include environmental requirements, based on a preliminary environmental impact assessment or study of the project and eco-design principles, in order to limit, mitigate or compensate potential negative impacts
Product safety	Quality management system is in place at plant level, based on Foqus Food Safety and Quality, and a quality referent, in charge of the food safety management and monitoring, is designated for the plant
Human and labour rights	A compliance statement on the respect of the Code of Conduct - the Compass for good business conduct - is yearly signed by each manager of the plant, including respect of human and labour rights standards
Health & Safety management	Health & Safety management system is in place at plant level, based on the Foqus Safety, Health and Environment (SHE), and a safety referent, in charge of the occupational risk management and monitoring, is designated for the plant

2.Sustainable farmer development	
Promotion of local social and economic development	<p>Dairy Development Programme compliance, in order to improve skills and knowledge and further develop local dairy farming and sector , regarding the 5 pillars:</p> <ul style="list-style-type: none"> <li>- Human: farmer training, expertise programs, field trips and knowledge partnerships</li> <li>- Social: farmer organizations and networks</li> <li>- Natural: access to land and water support</li> <li>- Finance: farmer access-to-finance support</li> <li>- Physical: investment in new infrastructure linked to specialist support service such as farm infrastructure, milk collection centres, breeding centre (including AI), veterinary service (cow health) and feed centre</li> </ul>
	<p>Criteria used to select supported farmers are based on a preliminary study aiming at fostering the further development of the local dairy sector</p>

3.Development of healthier products	
Product safety	The product has been developed under a quality management system, based on Foqus Food Safety and Quality, and according to a specific quality and safety programme
Responsible marketing	The nutritional composition and value statements are indicated on the product, in line with the Company's nutrition information and labelling standard, ensuring transparent labelling of the product linked to guidelines on daily allowance
	The marketing of the product is compliant with the Corporate Standard for the Marketing of Infant Foods, in respect of responsible advertising aimed at children (when relevant – product intended for infants and young children)
Sustainable sourcing	Sustainable agricultural raw materials are purchased (cane sugar, cocoa, palm oil, paper, beet sugar, starch, fruit and soy), based on recognized certification /labels or internal equivalent, in line with the Company objective to purchase 100% of agricultural commodities which come from fully sustainably managed sources in 2020

▪ **Optional criteria:** the following criteria are part of the evaluation process where feasible and appropriate but they are optional for the selection of Eligible Project.

Sustainability Criteria	Commitment and supporting elements
1.Reduction of environmental footprint of production factories	
Water	<ul style="list-style-type: none"> <li>- Water efficiency: reduction of water consumptions and/or wastewater production at plant level of at least 20% per tonne of product compared with 2010, after project completion / implementation , through investments in water efficiency products, technologies, processes and systems, and/or in water recovery</li> <li>- Water protection: reduction of pollutants discharge in water (nitrogen, phosphorus, COD)</li> </ul>
Waste	Improvement of waste recycling from the production process by 20% per tonne of product compared with 2010
Responsible procurement	Environmental and social factors are integrated in the suppliers contracts, in compliance with the project's environmental specifications and requirements on human rights, health & safety and social protection
	Payment terms of 30 days to SMEs are applied (PayMeNow initiative). SMEs with a sufficient annual spend will be provided access to RFC's supplier finance programme
Contribution to local development	Actions taken to foster local development in the plant area through local purchases and/or economic activity in terms of local employment (e.g. direct and indirect jobs created or maintained)

## 2.Sustainable farmer development

Product safety	Quality and Safety Roadmap is implemented for the locally produced milk
Environmental management	Good Dairy Farming Practices are promoted locally within the development programme, in line with the Dairy Sustainability Framework, covering manure management and sustainable animal rearing (health, nutrition and welfare)
Community involvement	Actions and/or initiatives of local community education on how to improve the governance of a farmer cooperative
Human and labour rights	Promotion of the respect of human and labour rights is integrated in the farmer training programme
Prevention of corruption	Traceability of fund provided within the DDP is ensured for prevention of corruption and fraud

## 3.Development of healthier products

Eco-design of the product	The product is eco-designed, including all product lifecycle and its packaging, based on the product Life Cycle Assessment
Responsible marketing	The 'Choices logo' is applied on the product to make it easier for consumers to make healthy choices
Nutrition and health	Specific local measures are taken to promote access to the product for vulnerable people (such as providing resources, development of specific product, delivery system, adapting the promotion and information to reach vulnerable people)
	Awareness raising programmes for customers and local community are implemented to promote healthy diet and lifestyle and combat malnutrition and obesity

Both mandatory and optional ESG selection criteria are exhaustive, regarding international standards in terms of sustainability and key Environmental, Social and Governance (ESG) issues of Eligible Projects' sector framework, and precise regarding the detailed supporting elements used for the evaluation and selection. These ESG Selection Criteria are publically available on the issuer website.

### Management of proceeds:

The net proceeds of the Schuldschein issuance will be managed within FrieslandCampina NV's treasury liquidity portfolio, in cash or other liquidity instruments that do not include GHG intensive activities, before the fund allocation within 24 months after the issuance.

The issuer will track investments of the proceeds allocated to Eligible projects. This tracking is integrated into the annual financial reporting process.

The overall share of refinancing is estimated around 75% (i.e. refinancing of projects financed from 2014).

In case of asset divestment, the issuer will use the net proceeds to finance other Eligible Projects which are compliant with the current framework.

### Part III. REPORTING FRAMEWORK



#### Reporting Framework

3. Report to investors on **financed projects** and **sustainability benefits**, via reporting indicators

FrieslandCampina is committed to report annually and until the maturity date of the Schuldschein on:

- **Use of the Green Schuldschein proceeds:** list of financed production facilities, development programmes and products, with related description of key projects implemented, and fund allocation
- **Sustainability benefits:** based on annual estimates, collected at category level, and aggregated at bond level, using defined methodologies

Responsible management of each project is monitored at corporate level only: Eligible Projects<sup>2</sup> are fully integrated in the overall annual group reporting, which is disclosed in the annual CSR report available on the issuer website. No information on responsible management of financed projects will be monitored at project level, which is an area of improvement.

FrieslandCampina is committed to transparently report on fund allocation, on a yearly basis, up to the total amount raised by FrieslandCampina through the Schuldschein, in an investor-dedicated Green Schuldschein report, verified by a third party, to be available at least to the investors.

In addition and until the maturity date of the Schuldschein, FrieslandCampina will report on the projects financed by the net proceeds of the Schuldschein issuance, on the compliance of the selected projects with the above process, and with impact and sustainability reporting indicators, to be included in the dedicated report. This reporting process and results will be verified by a third party (external auditor) on a yearly basis.

In order to report on the benefits of the projects, the issuer could substitute any of the proposed indicators when convenient and appropriate to facilitate the reporting on the performance and on the management of the use of proceeds in the selected projects.

#### Fund allocation:

Category	Indicators reported at category level	Aggregated at bond level
1.Reduction of environmental footprint of production factories	List of dairy production facilities financed by the Green Schuldschein proceeds with: - Related description of main green project examples implemented for each facility - Financial data and proceeds allocation : allocation amount (in k€), total cost of the investments in the production facility, share of refinancing projects	- Total allocated amount vs. total amount of proceeds (in %)  - Balance of unallocated proceeds (invested in capital or money markets instruments)
2.Sustainable farmer development	List of development programmes / projects financed by the Green Schuldschein proceeds with: - Related description of project conducted - Financial data and proceeds allocation: allocation amount (in k€), total cost of the expenses related to the project, share of refinancing expenses	- Overall refunding vs. new funding (in % of allocated amount, and in % of total amount)
3.Development of healthier products	List of products financed by the Green Schuldschein proceeds with: - Related description of each product - Financial data and proceeds allocation : allocation amount (in k€), total cost of expenses related to the product, share of refinancing expenses	

**Sustainability benefits:**

Category	Benefits	Reporting indicators
1.Reduction of environmental footprint of production factories	Climate change mitigation	<ul style="list-style-type: none"> <li>- GHG emissions reduced in tCO<sub>2</sub>e and in % compared with 2010 baseline or Ex-ante estimate of GHG emissions reduced before operation phase in tCO<sub>2</sub>e</li> <li>- Energy savings in MJ and in % compared with 2010 baseline or Ex-ante estimate of expected reduction before operation phase</li> <li>- Capacity of renewable energy constructed or installed in MW (when applicable)</li> <li>- Renewable energy produced in MJ or expected production before operation phase (when applicable)</li> </ul>
	Protection of natural resources (optional)	<ul style="list-style-type: none"> <li>- Water savings in m<sup>3</sup> and in % compared with 2010 baseline or Ex-ante estimate of expected reduction before operation phase</li> <li>- Percentage of waste reused or recycled</li> </ul>
2.Sustainable farmer development	Socio-Economic development, improving farmers' livelihood	<ul style="list-style-type: none"> <li>- Number of farmers trained at different topics.</li> <li>- % of farms with min. 'good' score in GDFP (Good Dairy Farming Practices)</li> <li>- Increase in milk production in average milk produced / cow at local farm level</li> </ul>
3.Development of healthier products	Promotion of healthy lives, optimizing the nutritional value of products	<ul style="list-style-type: none"> <li>- Reduction of negative nutrients, such as added sugar, salt, fat and calories in products, in %</li> <li>- Share of FC consumer products (% in volume) that meet FC Global Nutritional Standards</li> </ul>

## METHODOLOGY

In Vigeo Eiris' view, Environmental, Social and Governance factors are intertwined and complementary and cannot be separated when assessing the management of ESG in any organization or in any activity, including the issuance of bonds.

In this sense, Vigeo Eiris writes an opinion on the issuer's corporate responsibility as an organization, and on the objectives, the management and the reporting of the projects financed by this bond.

Vigeo Eiris' methodology to define and to assess corporate ESG performance is based on criteria aligned with public international standards, in compliance with the ISO 26000 guidelines, and organized in 6 domains: Environment, Human Resources, Human Rights, Community Involvement, Business Behavior and Corporate Governance. The evaluation framework has been customized regarding material issues, based on the Food assessment framework and specificities inherent to the worldwide markets and emerging issues.

### **Part I. ISSUER**

#### Level of the issuer's ESG performance:

FrieslandCampina has been evaluated by Vigeo Eiris during January 2016 on its social responsibility performance, based on 27 relevant ESG drivers organized in the 6 sustainability domains. FrieslandCampina's ESG performance has been assessed by Vigeo Eiris on the basis of three "items":

- Leadership: relevance of the commitments (content, visibility and ownership)
- Implementation: coherence of the implementation (process, means, control/reporting)
- Results: indicators, stakeholders feedbacks and controversies

▪ Scale for assessment of ESG performance: Advanced, Robust, Limited, Weak.

Vigeo Eiris' review uses publicly available information from the Company, press content providers and stakeholders (partnership with Factiva Dow Jones: access to the content of 28,500 publications worldwide from reference financial newspapers to sector-focused magazines, local publications or NGOs).

#### Stakeholder-related ESG controversies:

A controversy is information, a flow of information, or contradictory opinions that are public, documented and traceable, allegation against an issuer on corporate responsibility issues. Such allegations can relate to tangible facts, be an interpretation of these facts, or constitute an allegation on unproven facts.

Vigeo Eiris provides an opinion on companies' controversies risks mitigation based on the analysis of three factors :

- Severity: the more a controversy will relate to stakeholder's fundamental interests, will prove actual corporate responsibility in its occurrence, and will have adverse impacts for stakeholders and the Company, the highest its severity. Severity assigned at corporate level will reflect the highest severity of all cases faced by the Company (scale: Minor, Significant, High, Critical);
- Responsiveness: ability demonstrated by an issuer to dialogue with its stakeholders in a risk management perspective and based on explanatory, preventative, remediating or corrective measures. At corporate level, this factor will reflect the overall responsiveness of the Company for all cases faced (scale: Proactive, Remediate, Reactive, Non Communicative);
- Frequency: reflects for each ESG challenge the number of controversies faced. At Corporate level, this factor reflects on the overall number of controversies faced and scope of ESG issues impacted (scale: Isolated, Occasional, Frequent, Persistent).

▪ Scale for assessment of ability to mitigate stakeholder-related ESG controversies: Advanced, Robust, Limited, Weak.

## Part II. PROJECT FRAMEWORK

### Use of proceeds:

The use-of-proceeds requirements are defined to ensure that the funds raised are used to finance and/or refinance an eligible project and are traceable within the issuing organization, and include the management of proceeds. Each project endorsed shall comply with all of the eligible project criteria in order to be eligible. The sustainability purpose of the bond's associated eligible projects has been precisely defined, with regard to FrieslandCampina's commitments, and assessed regarding described and estimated benefits of the eligible projects. The contribution of eligible projects to Sustainable Development is evaluated regarding the UN Sustainable Development Goals.

### Process for project evaluation and selection:

The evaluation and selection process has been assessed by Vigeo Eiris regarding the exhaustiveness and relevance of ESG selection criteria and associated supporting elements integrated in the Green Debt Instrument framework, and the coherence of the process. The analysis was conducted focusing on the most relevant drivers regarding projects issues - based on 15 relevant ESG drivers, aligned with public international standards - and on the evaluation methodology.

- Scale for assessment of ESG integration in the selection process: Advanced, Robust, Limited, Weak.

Vigeo Eiris's review uses information provided by FrieslandCampina, press content providers and stakeholders (Factiva Dow Jones). In total, Vigeo Eiris has reviewed around 40 documents (FrieslandCampina CSR Report, Dairy Sustainability Framework, Compass for Good Business Conduct, Foqus SHE, Procurement Policy, GHG monitoring model ...) and online information and conducted interviews with 17 people from across different FrieslandCampina departments.

## Part III. REPORTING FRAMEWORK

Reporting indicators are selected from existing indicators to enable annual reporting on fund allocation, environmental and social benefits and on responsible management of the project financed by the Green Schuldschein proceeds, collected at project level and aggregated at bond level. Vigeo Eiris has evaluated the relevance of these indicators according to three principles: transparency, exhaustiveness and effectiveness.

- Scale of level of assurance on reporting on the project: Reasonable, Moderate, Weak

## VIGEO EIRIS'S ASSESSMENT SCALES

Performance evaluation	
Advanced	Advanced commitment; strong evidence of command over the issues dedicated to achieving the objective of social responsibility. Reasonable level of risk management and using innovative methods to anticipate emerging risks.
Robust	Convincing commitment; significant and consistent evidence of command over the issues. Reasonable level of risk management.
Limited	Commitment to the objective of social responsibility has been initiated or partially achieved; fragmentary evidence of command over the issues. Limited to weak level of risk management.
Weak	Commitment to social responsibility is non-tangible; no evidence of command over the issues. Level of insurance of risk management is weak to very weak.

Level of assurance	
Reasonable	Able to convincingly conform to the prescribed principles and objectives of the evaluation framework
Moderate	Compatibility or partial convergence with the prescribed principles and objectives of the evaluation framework
Weak	Lack or unawareness of, or incompatibility with the prescribed principles and objectives of the evaluation framework