



FrieslandCampina 
nourishing by nature

CSR Report 2013

Royal FrieslandCampina N.V.



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 2013. The 2013 CSR Report has been compiled in accordance with the Global Reporting Initiative (GRI) guidelines and the Transparency Benchmark criteria and complies with GRI's Level B (self declared) requirements.

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







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Foreword

Dear reader,

The enthusiastic receipt within our own ranks of our FrieslandCampina purpose, in respect of the three enormous global challenges for which we, as an international dairy company, want to be a modest part of the solutions, is something I look back on with satisfaction. With this we have really started accelerating the international roll-out of our CSR activities and the involvement of our people.

The opening of the FrieslandCampina Innovation Centre by Queen Máxima on World Food Day was a great moment. During the opening we explained more about these challenges and illustrated the link with our corporate story and purpose. The key issues are ensuring food and nutrient security for a fast-growing global population, the aging of the world's farming community and the scarcity of natural resources for the production of food such as dairy.

Our CSR policy with its four pillars for the Company with over 120 offices and production facilities and the Cooperative with more than 14,000 dairy farms dovetails seamlessly with these three challenges. Our policy, and our commitment to achieving it, can be expressed in three words Nourishing by nature. We are stating clearly - and in a way that is fitting for a cooperative dairy company with a more than 140 years of history behind it - where we come from, where we are and where we want to go.

We deploy our people and brands to serve customers and consumers, create financial value for our member dairy farmers and, at the same time, contribute towards social development in the countries in which we operate. Take, for example, the steps we took in 2013 with our aid programmes, micro-credits and training for small and medium-sized dairy farmers in Asia and Africa. We have signed agreements with China and Indonesia regarding the transfer of knowledge in the field of agriculture and food safety. Within our own Dairy Development Programme micro-credits amounting to 22 million euro have been set up for Vietnam and Indonesia. In collaboration with Agriterro we are sending our member dairy farmers to train farmers in Asia under the auspices of the Farmer2Farmer programme. Currently we, together with our partners, are helping around 100,000 small dairy farmers and around 30,000 small soya farmers in India and Brazil. This is how we are starting to make our business case for sustainability robust. And making it an integral component of our way of working.

But we're not there yet. We are still catching up in various areas, such as our CSR reporting. And CSR has certainly not yet flowed into every capillary of our organisation. That still needs more time, but we are making progress, and doing so together with more and more involved colleagues and dairy farmers.

In the Netherlands we have made firm commitments in respect of the politics related to sustainable dairy farming and its responsible growth in our country after the ending of the milk quota. Safeguarding the meadow grazing of cows, the processing of manure, the improvement of mineral efficiency and the reduction of greenhouse gas emissions are important themes for which targets have been set for the coming years. Targets that we, together with our member dairy farmers, must achieve. With the full input of the professional skills, knowledge and innovative strength which throughout our history has enabled FrieslandCampina to grow we can, together, earn and retain our license to produce, or perhaps better our license to grow, for the coming years. All the links in the chain - from cattle breeding and cattle feed to dairy processing and production - will have to work together to continue meeting the current, international demands in the area of responsible production, safety, care and transparency.

We have an obligation to our position - and good name - as a global player in dairy, to our consumers and society not just in this producing country the Netherlands but in our other sales markets.

Cees 't Hart

CEO Royal FrieslandCampina N.V.



Dear reader,

For FrieslandCampina's member dairy farmers 2013 proved to be the record year for milk price and incomes. It is illustrative of the great business opportunities for Dutch dairy farmers on the world market where a fast-growing population with more spending power is increasing the demand for dairy. The disappearance of the European milk quota in 2015 will offer scope for a gradual increase, in small steps, of milk production in the Netherlands. We are looking at an increase of around 2 to 2.5 percent a year. It is, therefore, important that we reach a good agreement with the political and social parties involved - our 'stakeholders' - regarding the conditions under which this growth can take place. For FrieslandCampina 2013 was, therefore, primarily the year of stakeholder consultation and the securing of public support in the Netherlands for a responsible development of dairy farming and dairy.

I am therefore also pleased that we have, with a broad platform from LTO Nederland (Land- en Tuinbouw Organisatie - Agriculture and Horticulture Organisation) - the advocate of the farmers in our country - and the Dutch Dairy Organisation (Nederlandse Zuivel Organisatie (NZO)) of which FrieslandCampina is a member, drawn-up a vision of the future in which the land-based family business remains the basis of dairy farming. We have also committed ourselves to retaining cows being put out to graze, the establishment of a phosphate ceiling, better mineral efficiency and the reduction of greenhouse gas emissions. Under these conditions the Dutch dairy sector will continue to make

a major contribution towards the growing global demand for tasty food with high-quality protein, minerals and vitamins.

So now it's up to us to make sure we really 'deserve' the trust our stakeholders have placed in us by together achieving the results we have promised. There's a lot depending on it, also for the Dutch economy and employment as is stated in the NZO's report 'Lang Houdbaar': 44,000 jobs, 6 billion euro in exports, good for 9 percent of the Dutch trade surplus, and 700 million euro in investments in new factories and innovation centres.

Which is why I am also making an imperative appeal to FrieslandCampina's 19,000 member dairy farmers to apply their ingenuity, entrepreneurship and professional skills to accelerating innovations to and around dairy farming so that the goals of our programme for sustainable dairy farming - Foqus planet - are achieved. If the results lag behind then animal rights are still a threat and the brakes will be put on growth. That is not a desirable development, also from the point of view of nutrition security for around 1 billion consumers in the over 100 countries that FrieslandCampina supplies with products.

I have every confidence that through good cooperation in the chain and with the energetic efforts of our member dairy farmers, we can achieve growth in a demonstratively responsible manner. In this way we will keep milk and milk products on the map as an important source of essential nutrients and as a 'white engine' of the Dutch economy.

Piet Boer

Chairman of the Board of
Zuivelcoöperatie FrieslandCampina U.A.



Important CSR developments in 2013

Nutrition & health

- FrieslandCampina introduced Optimel Puur on the market - the first drinking yoghurt with no added sugars and no artificial sweeteners. A tasty drinking yoghurt that contains only the sugars naturally present in fruit and dairy (4.1 gram per 100 ml).
- Goodness of Dairy campaigns were established worldwide to make consumers aware of the importance of dairy as part of a healthy and varied diet.

Dairy development in Asia and Africa

- FrieslandCampina has signed a collaboration agreement with the Indonesian government for the provision of support for the Dairy Village Programme. The aim of the agreement is to help the Indonesian government increase the national production of fresh milk by 50 percent by 2025, which will make the country self-sufficient in fresh milk.
- FrieslandCampina Vietnam has received a subsidy from the Dutch government to establish three dairy zones. A dairy zone is a cluster of dairy farmers trained in the

Efficient and sustainable production chains

- In 2013 FrieslandCampina achieved the two percent more energy efficient target: compared to 2012 the efficiency of primary energy in the production facilities improved by 3.2 percent. Water efficiency also improved by 2.3 percent.
- In October 2013 an energy-efficient condenser went into operation at FrieslandCampina DMV in Veghel. This condenser vaporises the water in whey, which allows the spontaneous crystallisation of the milk sugars that are present. The heat generated by this new method is utilised in such a way that

Sustainable dairy farming

- Three member dairy farmers, in collaboration with investors, have realised the Van Gogh wind farm. The five wind turbines produce around 27,900 MWh of electricity a year, roughly equal to the electricity usage of 8,000 Dutch households and is enough for the FrieslandCampina production facilities in Eindhoven and Maasdam.

- Since 2011 FrieslandCampina has organised World Milk Day activities in 28 countries to bring healthy food to the attention of consumers, school children and families. In 2013 more than 21,000 school children in Hong Kong were reached.

- FrieslandCampina has offered primary school children fresh dairy products for nearly eighty years. In 2013 FrieslandCampina launched a national campaign for Campina School milk. Visitors to its revamped website can watch a film about School Milk, play the digital 'School game' and parents can make contact via social media.

management of sustainable, professional family businesses with a focus on productivity per cow and milk quality.

- In 2013 11 FrieslandCampina member dairy farmers trained over 800 local dairy farmers in Thailand, Malaysia and Indonesia as part of the Farmer2Farmer programme.

- FrieslandCampina, together with the Rabobank Foundation, supports one cooperative in Vietnam and two cooperatives in Indonesia with education and affordable financing. In this way the two concerns contribute towards improving the quality of the local dairy farming. In total the financing amounts to around 1.5 million euro.

cooling water is no longer necessary. The result is a 60 percent reduction of energy usage.

- The new FrieslandCampina Innovation Centre in Wageningen has been awarded the BREAAAM certificate - the hallmark for sustainable buildings in the Netherlands. The Innovation Centre's energy usage is 25 percent lower than the standard for usage set by the government.

- In 2020 FrieslandCampina wants 100 percent of the electricity it uses to be sustainably generated in the Dutch agricultural sector, preferably on the member dairy farmers' farms. In 2013 this was the case for 63 percent of the electricity used in the Company's Dutch production facilities.

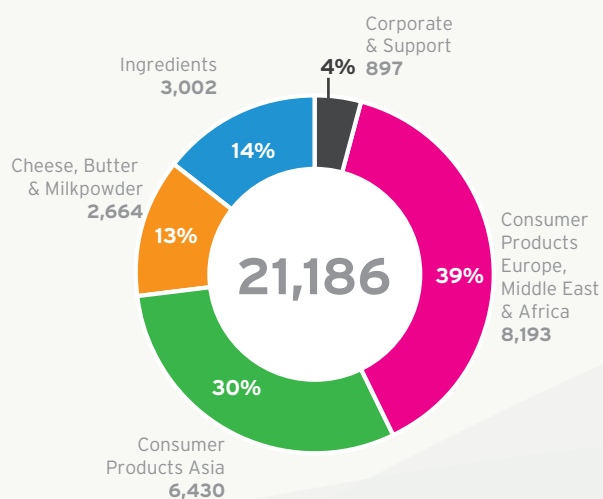
- On 30 October 2013 Compassion in World Farming (Compassion), an organisation that focuses on the welfare of farm animals, presented the Good Farm Animal Welfare Awards. The FrieslandCampina brand 'Campina' received a Good Dairy Commendation for meeting the criteria through the Foqus planet programme and efforts made as part of this to promote meadow grazing and animal health.

- After a successful pilot scheme with two groups of member dairy farmers, the Koe-Kompas (Cow Compass) was added to the Foqus planet programme as of 1 January 2014. This management tool, developed by animal health experts and dairy farmers, maps the strong points and the areas in which there is room for improvement in respect of the animals' health.

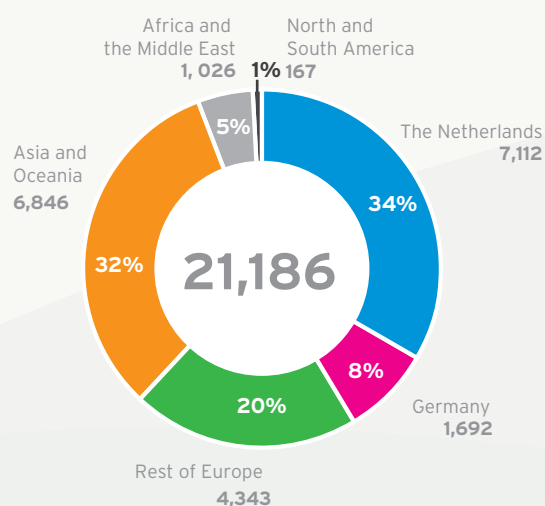
Key figures CSR

	2013	2012
Employees (average number of FTEs)	21,186	19,946
Of which male	15,890	14,760
Of which female	5,296	5,186
Participants in FrieslandCampina Academy, worldwide	2,819	2,897
Number of hours employees spent on FrieslandCampina Academy training courses	53,000	46,352
Average number of FrieslandCampina Academy programmes	259	254
Accident ratio per 200,000 hours worked (LTA Rate)	0.6% ¹	1.0%
Products with the 'Vinkje'/Choices logo	151 ²	181

Employees per business group in 2013
(average number of FTEs)



Employees per region in 2013
(average number of FTEs)

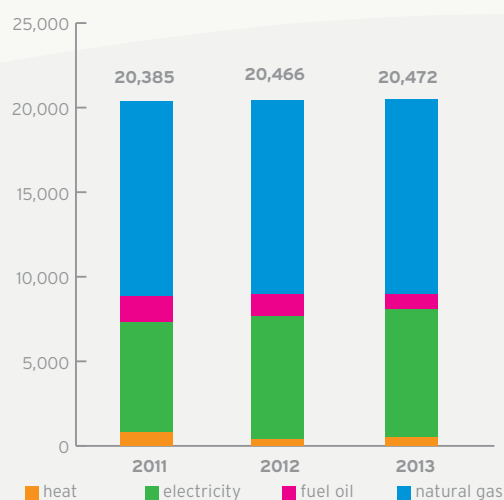


¹ The LTA rate for 2013 is exclusive of the acquired companies (Alaska Milk Corporation, Yoko Cheese, Zijerveld and Den Hollander Food). Acquired companies count in the LTA rate as of the start of the second full calendar year after acquisition.

² A decrease of 30 products because of adjustment of assortment.

	2013	2012 ¹
CO ₂ emissions milk production (ktonnes of CO ₂)	14,083	13,533
CO ₂ emissions milk processing (ktonnes of CO ₂)		
• Electricity	381	364
• Fuel oil	72	100
• Naturel oil	650	651
• Diesel oil	69	66
CO ₂ reduction through the use of sustainable energy (ktonnes of CO ₂)	-106	-64
Total greenhouse gas emissions from FrieslandCampina (kton CO ₂ eq) (Scope 1, 2 en 3) ²	15,149	14,651
Total energy usage (TJ)	20,472	20,466
Energy usage per ton of product (GJ / ton)	3.25	3.35
Total water usage (x 1000 m ³)	26,674	26,413
Water usage per ton of product (GJ / ton)	4.23	4.33
Total quantity of waste excluding water treatment sludge (ton)	52,012	56,444
Total quantity of chemical/dangerous waste (ton)	307	703
Percentage re-used or recycled waste (%)	65	63
Purchased percentage of sustainably generated electricity the Netherlands (%)	63	40
Purchased percentage of sustainably generated electricity worldwide (%)	31	19

Energy usage (TJ)



¹ Due to an improvement in data collection the information reported in the CSR Report 2012 have been adjusted.

² Reporting over scope 1, 2 and 3 in accordance with the GHG protocol. Scope 3 is the amount of greenhouse gases on farm level.

route2020 strategy: sustainable growth and value creation

Ambition

To create the most successful, professional and attractive dairy company for its member dairy farmers, employees, customers and consumers and for society by providing people around the world with essential nutrients from dairy products during every phase of their lives

Growth categories



Dairy-based
beverages



Infant nutrition
(B2B, B2C)



Branded
cheese



Strongholds
& geographic
expansion



Foodservice
in Europe



Basic products

Respond to needs



Growth &
development



Daily nutrition



Health &
wellness



Functionality

Capabilities



Talent
management



Milk
valorisation



Innovation



Business model
& cost focus

Foundation



Goodness
of dairy



Chain
advantages



Sustainable dairy
farming & business
operations



The way we work
& safety



FrieslandCampina's ambition is to create the most successful, professional and attractive dairy company for its member dairy farmers, employees, customers, 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 maximising the value of all the milk produced by the Cooperative's member dairy farmers.

FrieslandCampina strives to achieve the following goals:

- an increased share of added-value and branded products in the total sales volume;
- further operating profit growth;
- a substantially higher performance premium and a higher distribution of member bonds for the member dairy farmers;
- an 80 percent reduction compared with 2011 of the number of job-related accidents resulting in sick leave per 200,000 hours worked;
- climate-neutral growth throughout the entire chain from cow to consumer.

FrieslandCampina invests more than the average in the three growth categories: dairy-based beverages, infant nutrition and branded cheese. These categories are supported through research & development efforts in the field of growth & development (of children), daily nutrition, health & wellness and functionality.

Because it is directly linked with the Cooperative, FrieslandCampina controls the entire production chain from raw milk to distribution. As a result FrieslandCampina can vouch for the quality of its products. In the collaboration with member dairy farmers the accent is on quality, food safety and operating sustainably.

FrieslandCampina strives to achieve the foreseen growth of its activities in a climate-neutral manner throughout the entire chain from cow to consumer. The Company wants to achieve this by working with the member dairy farmers and chain partners on improving energy efficiency, reducing greenhouse gas emissions, stimulating the production of renewable energy on dairy farms and keeping cows a component of the Dutch landscape.

Global challenges



By 2050 the world's population is expected to have grown to between nine and ten billion people. 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 even if the availability of land and water were not a problem, will there still be enough farmers to produce our daily food? And will they earn enough to sustain themselves and their families? FrieslandCampina wants to contribute towards solving three of these global challenges through its activities.



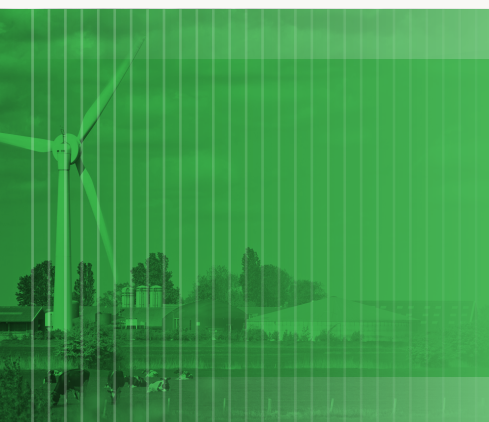
The growing world population

- 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



Aging farmers

- Interesting young people in farming as a profession 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 achieve an income that is high 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



The scarcity of natural raw materials

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



Nourishing by nature

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Milk, by nature, contains essential nutrients including proteins, vitamins B2 and B12, and minerals such as calcium. By offering trustworthy and tasty dairy products FrieslandCampina contributes towards safeguarding food and nutrient security. FrieslandCampina also strives to limit the pressure on the sources of natural raw materials and the environment.

Every day millions of consumers around the world appreciate 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 expertise, customer-orientation and experience with global operation of 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 Company and the Cooperative.

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





Nutrition & health

By 2050 the world's population is expected to have risen to between 9 and 10 billion people. Feeding this increasing global population is an enormous challenge. A high proportion of the world's population is already confronted with malnutrition due to nutrition deficiency. FrieslandCampina, with its products, is contributing towards the world's food resources by offering nutrient and energy rich nourishment. The Company also wants to help reduce the growing number of people, and especially children, who are overweight. FrieslandCampina is doing this by improving the composition of its products, disseminating information about healthy eating and lifestyle, and by making the healthy selection of food easier for the consumer.





Nutrition & health

Goals for 2020	Results 2013	Ambitions for 2014
 <p>Reduce the sugar, salt and fat in FrieslandCampina products</p>	<p>Dietary guidelines drawn up for Asia, Africa and the Middle East. (In 2012 dietary guidelines, including action plans and goals, were drawn up for Europe.)</p>	<p>The drawing up of action plans, including goals, for Asia, Africa and the Middle East.</p> <p>The setting up of a monitoring programme for reporting progress.</p>
 <p>The development of a Company standard for labelling and consumer information</p>	<p>A Company standard for labelling and the provision of nutritional information translated into the local situations.</p> <p>Active participation in the EU Pledge and Singapore Advertising Code in respect of responsible marketing aimed at children.</p> <p>FrieslandCampina's guidelines for responsible marketing aimed at children expanded for the rest of the world based on EU Pledge agreements.</p>	<p>Approval and implementation of the conversion of all consumer packaging in conformance with the new Company standard.</p> <p>Active participation in the EU Pledge and Singapore Advertising Code in respect of responsible marketing aimed at children.</p> <p>Approval and implementation of new regulations for responsible marketing aimed at children.</p>
 <p>Reach 10 million children a year with effective information about a healthy diet</p>	<p>Several million children (or the parents of these children) reached with information about a healthy diet via World Milk Day in 28 countries, School Milk and lesson programmes, JOGG and local initiatives.</p>	<p>Reach 10 million children with information about a healthy diet.</p>
 <p>Offer help with combating malnutrition</p>	<p>SEANUTS nutrition survey: strategy developed for the development of products and information materials aimed at improving the nutrient status of children in Southeast Asia.</p> <p>Financial support of the Netherlands Red Cross (including via the Disaster Relief Partner Programme), around 600,000 euro collected in two years.</p>	<p>Translate what has been learnt from the SEANUTS nutrition survey for other countries.</p> <p>Further expansion of the partnership with the Netherlands Red Cross. Goals developed for the three partnership ambitions:</p> <ul style="list-style-type: none"> • Combating hunger and malnutrition among people in need; • Contributing towards nutrition security; • Strengthening the resilience of vulnerable communities. <p>Expansion of the Disaster Relief Partner Programme to include more countries.</p>

**Relevance - The importance of this pillar**

Currently over 1.4 billion adults and 42 million children under five years old are overweight (source: WHO, 2013). At the same time around one in seven people do not have access to enough food to enable them to lead a healthy and active life (source: GAIN). These are global developments with which FrieslandCampina is directly involved. Dairy can make a significant contribution towards solving both these challenges because, per calorie, milk contains a relatively high number of essential nutrients, such as vitamins B2, B12, minerals and proteins. Health authorities around the world also consider dairy a basic component of a healthy diet.

The growing demand for sustainable and healthy products offers opportunities for FrieslandCampina. The dairy company processes over 10 billion kilograms of milk a year into a varied range of consumer dairy products. FrieslandCampina's approach is aimed at both emerging economies (in Asia, the Middle East and Africa) and Europe.

Goal for 2020: Reduced sugar, salt and fat content in FrieslandCampina products

From guideline to implementation: action plans

In 2012 goals and action plans for product improvement that are in-line with FrieslandCampina's new dietary guidelines were formulated together with the operating companies for the Netherlands, Belgium, Germany, Hungary, Romania, Greece and the UK. The action plans for Europe will be implemented in 2015. In 2013 the dietary guidelines for Asia, the Middle East and Africa were formulated and the goals and action plans will be formulated in 2014.

The 'Vinkje' & Choices

FrieslandCampina is one of the initiators of the Ik Kies Bewust (Choices) Foundation. These are initiatives based on logos that make it easier for consumers to find the healthier options within a specific product group and, therefore, make healthier choices. In the Netherlands, and many other countries, products that contain less salt, added sugars or (saturated) fats can be recognised by the 'Vinkje' or Choices logo. The logo encourages manufacturers to adjust their products or develop new products that comply with the dietary guidelines. FrieslandCampina also takes these criteria, which are a fixed component of the FrieslandCampina dietary guidelines, into account.

In 2013 there were 151 FrieslandCampina consumer products with the 'Vinkje' logo on sale in the Netherlands. This is fewer than in 2012 because the range was adjusted. Brands with all current and future products that meet the 'Vinkje' criteria are Optimel, Vifit, GoedeMorgen!, DubbelFriss, Fristi, Slankie, Milner and, since 2013, Yoki and Taksi.

Reduced sugar in products

FrieslandCampina has been working on reducing the sugar content of its products since 2009. Experience gained in the Netherlands is now being used in other parts of the world. For FrieslandCampina reducing the quantity of sugar in products is an effective way to reduce the energy in its products. Less energy is important due to the growing group of overweight children. Since 2009 the sugar content in many Fristi, DubbelFriss, Vifit and GoedeMorgen! brand products has been over 25 percent lower. In 2013 the sugar content in the Yoki, DubbelFriss (2nd phase) and Taksi brand products was reduced by 25 - 30 percent.

In 2012 and 2013 FrieslandCampina formulated company-wide dietary guidelines that incorporate the 'Vinkje' criteria for luxury, basis, health and children's products. In part thanks to these guidelines, all health and children's products in the Netherlands now meet the 'Vinkje' criteria (maximum 5 gram added sugar per 100ml). In 2014 FrieslandCampina is working on reducing the sugar in its fruit juices and fruit drinks, such as Dubbeldrank and Appelsientje's Multivitamientje.



Optimel Puur

Optimel Puur is an example of a successful introduction of a tasty dairy product containing fruit juice with no added sugar. Optimel Puur is a 100 percent natural drinking yoghurt that contains nothing but low-fat yoghurt, fruit juice and natural flavourings. This is FrieslandCampina's first drinking yoghurt that really tastes less sweet because it contains no added sugars and no artificial sweeteners. Optimel Puur only contains natural sugars from fruit and dairy (4.1 gram per 100 ml). Optimel Puur tastes half as sweet as the other Optimel drinks.

FrieslandCampina Institute

FrieslandCampina not only informs consumers and health professionals meticulously regarding the composition of products but also about a healthy diet in general. The FrieslandCampina Institute is the knowledge centre for scientists and health professionals in the field of dairy, nutrition and health.

The FrieslandCampina Institute offers dieticians, practice nurses, General Practitioners and other health care professionals information and practical tools related to dairy, nutrition and health. The FrieslandCampina Institute not only provides experts with the most up-to-date information based on the latest findings of science and dietary guidelines, it also pro-actively seeks collaboration with health professionals and scientists, because they share the Institute's ambition: the encouragement of a healthy lifestyle with a varied and balanced diet in which dairy products play a role.

The FrieslandCampina Institute stimulates the dialogue with health professions via informative materials, practical tools, seminars and workshops as well as via canals such as the website, newsletters and stands at congresses. In 2013 this pro-active approach led to over 84,000 individual contacts between the FrieslandCampina Institute and health professionals around the world.

Reduced salt in cheese

FrieslandCampina has been taking steps to reduce the salt level in its cheese for a number of years. As a participant in the Dutch Dairy Association's Salt Reduction Task Force, FrieslandCampina achieved a salt reduction of 14 percent between 2007 and 2010. A new reduction target has been set for the 2010 - 2015 period: in 2015 all Goudse 48+ cheeses will contain an average of 10 percent less salt than in 2010. By the end of 2012 these cheeses already contained five percent less salt, in part due to the further standardisation of the brine-soaking period. FrieslandCampina is now working on the following steps. As well as adjustments to existing technologies, such as reducing the brine-soaking time, FrieslandCampina is working on the development of a new technology for salt reduction.

Reduced fat in products

The dairy sector has been working on product innovations aimed at being able to offer consumers a broader product portfolio with a range of fat content. FrieslandCampina is playing an active role in this, for example by developing products containing less fat, such as 30+ cheese or Milner cheese made from semi-skimmed milk. Maasdam 45+ and Edam 40+ cheese are sold in many of the export countries as is the Frico 'light' version.

Goal for 2020: The development of a Company standard for labelling and consumer information

A standard for labelling and information

In 2012 FrieslandCampina developed a standard for labelling and (consumer) information. This standard specifies which obligatory and optional elements can be found on FrieslandCampina's packaging and how nutritional facts are communicated to consumers. The standard includes guidelines for nutritional value statements on the front and back of packaging and the use of logos such as the 'Vinkje'/Choices logos to make it easier for consumers to make healthy choices. In 2013 this standard was translated to fit the local situation in the different parts of the world. Implementation will start in 2014.

Responsible marketing aimed at children

In 2012 FrieslandCampina signed the EU Pledge and Singapore's Advertising Pledge. By so doing FrieslandCampina has undertaken to limit marketing aimed at children under 12 to products that meet stringent nutritional specifications. No marketing aimed at children will be developed for other products. In 2013 FrieslandCampina worked on updating the standard for responsible advertising. This will be approved at the beginning of 2014 after which implementation will start.

Goal for 2020: Reach 10 million children a year with information about a healthy diet

FrieslandCampina wants to reach more than 10 million children every year with information about a healthy diet and lifestyle. Initially the goal was to reach one million children a year. In 2012 the goal was increased to 10 million children a year. In Thailand alone FrieslandCampina tells more than one million children about healthy eating through activities such as World Milk Day.

Local FrieslandCampina operating companies in Asia carry out many activities aimed at informing children about a healthy diet. From offering lesson material to giving children in Indonesia, Hong Kong, Vietnam and Thailand the opportunity to taste dairy products.

World Milk Day worldwide

Since 2001 the United Nations' Food and Agriculture Organisation (FAO) has held a World Milk Day on 1 June. This is an obvious moment to disseminate information about a healthy diet and lifestyle. Health authorities throughout the world see dairy as a basic ingredient of a healthy diet. Per calorie milk provides relatively many nutrients, such as vitamins B2 and B12, minerals and proteins. FrieslandCampina supports World Milk Day with activities that draw the attention of consumers all over the world to the recommendations related to healthy eating and the role milk can play in a healthy diet. Since 2011 FrieslandCampina has been involved in the organisation of World Milk Day activities in all the 28 countries in which the Company is active. From Belgium to Nigeria entertaining activities are organised that draw the attention of consumers, school children and families to healthy eating. In Hong Kong alone more than 21,000 school children are reached. FrieslandCampina has also developed Goodness of Dairy campaigns around the world to make consumers aware of the contribution dairy can make towards good nutrition as part of a healthy and varied diet. The Goodness of Dairy campaign in Malaysia included handing out 50,000 glasses of milk.

Young People at a Healthy Weight (Jongeren op Gezond Gewicht (JOGG))

In the Netherlands FrieslandCampina is the national partner of JOGG, an initiative which aims to reverse the growing incidence of obesity among young people up to the age of 19. The JOGG approach involves public and private parties working closely together to promote healthy eating and exercise including through focusing attention on nutrition

and exercise in schools, improved sports and recreational facilities and the supply of information for parents. Currently there are 55 JOGG municipalities and one JOGG province. Compared with 2012 that is an increase of 30 municipalities.

In Amersfoort FrieslandCampina, the city council and the local health service worked closely together on the B.Slim programme which helps parents and children in disadvantaged areas make healthier food choices and be aware of the importance of sport and exercise. The goal of B.Slim is a five percent reduction in the number of overweight children in Amersfoort in 2014 compared with 2005.

FrieslandCampina, together with the city council and the local health service, puts together an annual programme of activities. In 2013 the activities organised by the three parties included a campaign about 'Healthy Snacking' (including via Facebook) that was specially linked to the Amersfoort Four Evenings Walk event. A 'Healthy Snacking Champion' drew attention to the topic. More than 1,000 visitors looked at the B.Slim photography competition on Facebook. The prize winners were also announced on Facebook.

School milk

In Asian countries dairy is not always available to young children, for whom the nutrients it provides are particularly important. FrieslandCampina provides children with milk via school milk programmes in Thailand, Vietnam and Malaysia amongst others and also informs parents and teachers about healthy nutrition and the contribution milk makes towards this. The Malaysian school milk programme, for example, is reaching over 1,300 schools. As a result around 300,000 Malaysian children aged between seven and twelve now receive milk.

Campina School Milk has existed in the Netherlands for 80 years. FrieslandCampina offers primary school children fresh dairy. Milk contains vitamins B2 and B12, proteins and calcium - nutrients that are particularly important for growing children. A Campina School Milk programme subscription makes it easy for children aged from 4 to 12 years to drink milk. In 2013 FrieslandCampina launched a nationwide Campina School Milk campaign aimed at parents. Visitors to the revamped website can watch a film about school milk, play the digital 'School game', and get in contact with parents via social media.



Junior NBA programme for young people in the Philippines

The partnership with the Junior NBA programme has been running for seven years in the Philippines. During these seven years more than 80,000 students, parents and coaches have been involved in youth camps, clinics and NBA Cares activities. The Junior NBA programme encourages children to exercise, participate in outdoor recreation and have an active lifestyle. In 2014 FrieslandCampina will expand this partnership to include Indonesia, Malaysia, Thailand and Vietnam.

World School Milk Day

On 25 September 2013 World School Milk Day was celebrated in over 40 countries. In the Netherlands World School Milk Day is implemented by the Dutch Dairy Organisation (NZO). In 2013 attention was focused on the importance of milk for school children through a quiz and a visit by the Dutch Olympic swimming champion, Maarten van der Weijden.

National School Breakfast

Another initiative in which FrieslandCampina also participated in 2013 was the National School Breakfast, which underlines the importance of eating a proper breakfast that includes dairy products such as semi-skimmed milk and 30+ cheese. This nationwide breakfast event reaches hundreds of thousands of children, parents and teachers each year.

Goal for 2020: Offer help to combat malnutrition SEANUTS nutrition survey

In 2012 FrieslandCampina, scientists, NGOs and universities worked together to complete SEANUTS (South East Asia Nutrition Survey), the first large-scale study of the nutritional status of nearly 17,000 children in Malaysia, Indonesia, Thailand and Vietnam. Knowing the nutritional status, and whether there are any nutritional deficiencies, is vital in order to be able to match advice, research and products more closely to the nutritional needs of these children. This crucial information is often lacking in developing countries. Thanks to SEANUTS, and together with interested parties, a knowledge gap in relation to a vulnerable target group - growing children, for whom good nutrition is vital - has been closed.

In 2013 the results of the SEANUTS survey were made available worldwide through the publication of a series of scientific articles. To draw worldwide attention to the results of the survey FrieslandCampina was also involved in a number of symposia, such as the International Congress of Nutrition in Spain and the Scientific Conference of the Nutrition Society of Malaysia.

In 2013 FrieslandCampina also worked on a strategy for the development of products (to which certain vitamins had been added) and information materials aimed at improving the nutritional status of children in Malaysia, Vietnam, Thailand and Indonesia. The nutrient intake of over half the children in Vietnam can be improved substantially. The problem of malnutrition in children is far greater in rural areas than it is in the cities. Which is why, in 2013, FrieslandCampina Vietnam launched the "two million cartons of milk" campaign in 800 Vietnamese rural communities. In 2013 FrieslandCampina also began organising 90 nutrition festivals in Asia aimed at informing parents in rural areas about the contribution a good diet makes to a child's healthy development. In Thailand FrieslandCampina established the Nutri Fit programme of seminars, information and teaching aimed at the policy makers, parents, teachers and children. FrieslandCampina's objective is working together to improve the nutritional status of children. The 'Child nutrition and outdoor activity seminar' brought together more than 1,000 teachers and parents from five regions.

Partnership with the Netherlands Red Cross

In 2012 FrieslandCampina and the Netherlands Red Cross signed a five-year partnership agreement based on a search for shared value. The aim is to make available existing or new emergency aid products for victims of violence or natural disasters. The goals of the partnership are:

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

In 2013 FrieslandCampina and the Netherlands Red Cross worked on a strategy for the partnership and explored possibilities for the joint development of emergency aid products and teaching programmes aimed at healthy nutrition.

In December 2013 FrieslandCampina collected around 36,525 euro for 3FM Serious Request, especially in Leeuwarden. In 2013 FrieslandCampina also gave financial support to the Disaster Relief Partner Programme. The Red Cross trains volunteers for this programme and builds up stocks of materials and financial reserves so it can provide emergency aid to victims in the immediate aftermath of a natural disaster. In total FrieslandCampina's contribution towards the Netherlands Red Cross during the past two years amounts to around 600,000 euro.



Employee involvement in the Disaster Relief Partner Programme

More than 25,000 Mammoet and FrieslandCampina employees are involved in the Disaster Relief Partner Programme. They raise funds for victims of natural disasters via online fund-raising campaigns they organise. In November 2013 FrieslandCampina employees donated over 21,000 euro to the Netherlands Red Cross for the victims of the typhoon in the Philippines. The Alaska Milk Corporation in the Philippines (part of FrieslandCampina) offered direct help via its own Operation Rainbow Team. Employees in the Philippines were directly involved in providing local aid in cooperation with the Philippine Red Cross. Volunteers dispensed milk and water. Alaska Milk Corporation in the Philippines donated aid materials worth 1 million US dollar. But this cooperation can also be seen in Indonesia. FrieslandCampina contributed towards the food provision for around 6,000 victims, including 2,000 children, who were affected by a volcano erupting.

The direct involvement of FrieslandCampina's employees in the partnership with the Netherlands Red Cross has a very positive effect on their motivation and feeling of involvement with FrieslandCampina itself. The partnership also generates teamwork and the formation of mutual relationships. FrieslandCampina's ambition is to further encourage employee involvement in 2014.

What FrieslandCampina is working on

Sugar reduction: step by step

FrieslandCampina considers it important that consumers eat less sugar and develop a taste for less sweet products. Reducing the sugar content without the addition of (natural) sweeteners in products must be approached carefully. Through a combination of smart innovations and gradual sugar reduction FrieslandCampina is developing technologies that will enable less sugar to be used without taste being affected. The continuous search for technological possibilities and achieving consumers' acceptance is challenging. Consumer taste tests of new recipes are, therefore, carried out continuously.

Reduced salt

FrieslandCampina believes it is important that consumers eat less salt and has, therefore been taking steps to reduce the salt level in its cheese for a number of years. Between 2007 and 2010 FrieslandCampina achieved a salt reduction of 14 percent and the goal for the period 2010 - 2015 period is a further 10 percent reduction in the salt content of Goudse 48+ cheeses. When this is achieved the following step must be considered very carefully. Salt not only contributes towards the taste it also plays a crucial role in the shelf-life and firmness of the cheese. A further reduction could, therefore, pose a challenge for the quality of the product and how easily it can be sliced. Research must indicate the possibilities and solutions.

Product affordability

FrieslandCampina fulfils its ambitions related to the Nutrition & Health pillar with products that form the basis for a healthy lifestyle. One vital aspect of this is to ensure the products are affordable. The addition of certain ingredients (vitamins) or other adjustments to the composition of the products can increase their price. This can affect the affordability of these products to such an extent that consumers not longer can, or want, to buy them (or don't see any need to buy them as they cannot see any difference from other products).

Cooperation with the Voedselbank (Food supply point)

FrieslandCampina is working with the 'Voedselbank' in the Netherlands to ensure that surplus dairy products from its distribution centres are directed to where there is greatest need for them. According to the Netherlands Institute for Social Research, some 367,000 children across the country are living at or below the poverty line. Through its partnership with the 'Voedselbank', FrieslandCampina is helping to ensure that these children can also benefit from the important nutrients contained in milk.

In 2013, FrieslandCampina supplied nearly one million consumption units to the eight regional distribution centres of the 'Voedselbank', which in turn handed them out to all clients in each region.



FrieslandCampina is thus contributing to the goal of getting nutritious food to the people in the Netherlands who are in most need of it, while at the same time preventing food waste.

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. Through knowledge-sharing, training courses, exchange programmes and the establishment of local milk distribution systems the DDP has supported over 40,000 local dairy farmers (directly and indirectly). In addition, FrieslandCampina reaches 60,000 small farmers in cooperation with Agriterro and 30,000 small farmers involved in soy growing in India and Brazil in cooperation with Solidaridad and CONO Kaasmakers. In this way FrieslandCampina contributes towards the welfare of farmers (farmers' livelihood) in Asia and Africa. FrieslandCampina also wants to interest young people in becoming farmers by offering prospects for the future and, by so doing, respond to the rapid aging of the global farming community.



Dairy development in Asia and Africa

Goals for 2020 ¹	Results 2013	Ambitions for 2014
 <p>Raise the quality and food safety of locally produced milk in Asia and Africa</p>	<p>FrieslandCampina employees are training dairy farmers and milk collection centres and cooperative employees in all DDP countries.</p>	<p>Implementation of the entire Quality Roadmap in every DDP country.</p>
 <p>Improve the income per farmer in Asia and Africa by raising the productivity per cow and thus contribute towards a better standard of living for local farmers</p>	<p>In 2013 two large PPP projects (Public-Private Partnerships) aimed at the further extension of the Dairy Development Programme were started in Indonesia and Vietnam.</p> <p>The successful implementation of the Farmer2Farmer (F2F) programme in Thailand, Malaysia and Indonesia.</p>	<p>Trainings to dairy farmers to improve farm management that should lead to lower costs and improve production (F2F programme).</p>

Relevance - The importance of this pillar

The Dutch government acknowledges that sustainable economic growth is the engine that drives development and an important tool in the battle against poverty. Many NGOs also see the added-value of the business community's contribution towards tackling several global issues. The dairy development in Asia and Africa fits in with FrieslandCampina's ambition to be able to continue providing enough nutritious food for the growing global population. Responding to this growing demand is in the interests of both FrieslandCampina and society. In addition, a considerable portion of FrieslandCampina's activities take place in Southeast Asia and Africa and in particular in Indonesia, Thailand, Vietnam, Malaysia and Nigeria. FrieslandCampina can, therefore, make a real difference and raise dairy farming to a higher level in terms of productivity, milk quality and sustainability.



FrieslandCampina Indonesia supports Dairy Village Programme

"On behalf of FrieslandCampina, Cees 't Hart witnessed the signing of the cooperation agreement between the Indonesian government, FrieslandCampina and the local cooperative in Lembang for the development of a Dairy Village Programme. This project is financially supported in part by the Dutch government. This is a major step for the further development of the DDP in Indonesia."

**Sybren Attema, Regional DDP Manager
FrieslandCampina**

¹ On the basis of the relevance analysis the formulation of the goals for 2020 have been tightened. More information about this process can be found on page 64.

Results 2013

Goal for 2020: Raise the quality and food security level of locally produced milk in Asia and Africa

Raising milk quality

In 2012 FrieslandCampina developed a Quality Roadmap to improve the quality of milk in the DDP countries during the following three years. These improvements are focused primarily on reducing the bacteria levels in milk and the quantity of antibiotics given to dairy cows. Currently the quality of the milk is monitored in every DDP country and actions are instigated at the moment the quality does not meet FrieslandCampina's standard. Pilot farms are visited every month and the registered data and actual business results are discussed. This is followed by advice regarding improvements. In 2014 FrieslandCampina wants to implement this roadmap in every DDP country.

Model cattle sheds in Nigeria

In Nigeria the milk is supplied by farmers who let their cows roam over vast areas and who do not have permanent farms. In 2013 three model cattle sheds were built where farmers watch dairy farming demonstrations. The demonstrations focus on aspects that can improve the quality of the milk. The farmers learn about growing and conserving feed crops and preventing cattle diseases. The forecast is that in this way the average milk production per cow can be increased from three kilos a day to ten kilos a day.

Contributing towards improving Chinese dairy

In November 2013 FrieslandCampina signed an agreement with China Agricultural University (CAU) and Wageningen UR (University and Research Centre) for the establishment of a new research and knowledge centre in China - the Sino-Dutch Dairy Development Centre (SDDDC). The Centre will focus on improving the productivity, safety and quality of the logistic dairy chain in China. The knowledge in the field of dairy production will be shared with Chinese experts in the dairy sector and experts and policy makers in dairy research and the dairy industry. The agreement was signed in the presence of the Dutch Prime Minister, Mark Rutte.

Farmer2Farmer programme

Since 2012 FrieslandCampina has worked with Agriterro to strengthen the position of dairy farmers in cooperatives in developing countries. This is 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 production and the productivity of the cows. In 2013 the Farmer2Farmer programme was successful in Thailand, Malaysia and Indonesia. In close cooperation with Agriterro and local DDP teams, 11 FrieslandCampina member dairy farmers trained more than 800 local dairy farmers. In 2014 the Farmer2Farmer programme will be extended to include Vietnam. In the coming years this programme will not be implemented in Nigeria due to insufficient guarantees regarding the safety of the member dairy farmers.

DDP in Nigeria

In Nigeria the Dairy Development Programme is still in full development. In 2013 FrieslandCampina WAMCO Nigeria, in cooperation with various local partners, focused primarily on the creation of awareness of the DDP among (potential) farmers. As a result of these activities, during last year 200 farmers indicated they would supply milk. Two milk collection centres were improved so that more milk can now be supplied. In Nigeria attention was also paid to the development of more grassland so more cattle feed can be produced. This will ensure the cows also have sufficient food in the dry season.

Goal for 2020: Increase the income per farmer in Asia and Africa by increasing the productivity per cow and thus contribute towards a better standard of living for local farmers

Dairy Village Programme in Indonesia

In 2013 FrieslandCampina signed a cooperation agreement with PT Perkebunan Nusantara VIII and Koperasi Peternak Sapi Bandung Utara (KPSBU) Lembang for the support of the Dairy Village Programme. The aim of this project is to help the Indonesian government increase Indonesia's milk production by 50 percent by 2025 and thus make Indonesia self-sufficient in fresh milk. The official signing took place at FrieslandCampina's production facility in Ciracas on 22 November in the presence of Sharon Dijksma, the Dutch State Secretary for Economic Affairs, and her Indonesian colleague, Dahlan Iskan, the Indonesian Minister of State Companies. The project will start in 2014.

Dairy zones in Vietnam

In 2013 FrieslandCampina Vietnam received a subsidy from the Dutch government for the setting-up of three dairy zones during the following five years. A dairy zone is a cluster of dairy cow owners who are trained in the management of professional family businesses that focus on productivity per cow and the quality of the milk. For preference the dairy zones are set-up near a FrieslandCampina production facility. These dairy zones are a response to the growing demand for fresh milk in Vietnam and will contribute towards a better quality of the milk and the professionalising of dairy farming in Vietnam. The project also creates extra jobs and ensures the development of the dairy sector. Construction of the dairy zones will commence in 2014.

Financial support for local dairy farming in Indonesia and Vietnam

By injecting knowledge and skills and by providing financing with relatively favourable conditions FrieslandCampina and the Rabobank Foundation are supporting local dairy farmers in Indonesia and Vietnam. By so doing they expect to raise the quality of the local dairy farming. The financing is intended for the purchase of cows, improvement of the climate in the cattle sheds and the installation of bio-gas plants. FrieslandCampina purchases the milk. Some of the milk money is withheld to pay off the interest on the loan and repay the loan capital. This means the farmers gradual pay off their debt. This cooperation supports one cooperative in Vietnam and two cooperatives in Indonesia. The total amount of the financing is around 1.5 million euro.



Dairy dialogue in Vietnam

On 4 December 2013 the Dairy Dialogue took place in Vietnam. This was the first time such a meeting had been organised. The Vietnamese government is really pushing rural development. Cooperation between various parties is crucial to its achievement. The meeting brought players from throughout the dairy sector together to discuss the development of the sector and how cooperation can be stimulated. The meeting was the springboard for a more structural dialogue with the various stakeholders. The most important outcome was, therefore, a formal Dairy Dialogue structure, including a steering group and technical committees. FrieslandCampina Vietnam was one of the initiators of this meeting, which was attended by delegates from the government, the business sector and NGOs.

What FrieslandCampina is working on

Implementation of quality standards

The increasing demand for milk and higher milk prices on the market for fresh milk in DDP countries is making it difficult to tighten and implement quality demands/standards for local dairy farmers as, due to the high demand for volume, less attention is being paid to the quality of raw milk. FrieslandCampina is upholding its quality policy and is, therefore, running the risk of

losing volumes to competitors. In other words: dairy farmers can make less effort regarding quality and receive the same milk price from competitors with lower quality demands. This is making the implementation of FrieslandCampina's milk quality strategy more challenging in DDP countries. The dairy company is making every effort to motivate dairy farmers to strive to achieve the quality standards.



Employees involved in activities in Asia and Africa

In 2012 a consultancy pool of FrieslandCampina employees with considerable knowledge of milk production was formed to support dairy farmers and cooperatives in Asia and Africa and thus the improvement of milk quality and productivity per cow. In October 2013 the first experts visited a number of farms, milk collection centres and milk collection points. The experts pointed out what was going well and what needed to be improved. FrieslandCampina's objective is to ensure the milk from the dairy farmers is of a good quality and to combat waste.

Via the consultancy pool FrieslandCampina is involving employees in its activities in Asia and Africa. Their visits to the DDP countries not only enable the experts to share their knowledge it also gives them an insight into what FrieslandCampina is doing to improve farmers' livelihoods. Between five and seven employees are available to join this consultancy pool each year.

Efficient and sustainable production chains

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FrieslandCampina wants to grow in a climate-neutral way between 2010 and 2020. This means that the increase in production must not have any consequences for the emission of greenhouse gasses. To achieve this FrieslandCampina is working on an efficient and sustainable production chain. This starts with sustainable dairy farming (see the section 'Sustainable dairy farming'), the purchase of sustainable (agricultural) raw materials and with reducing the consumption of energy, water and waste (water) at the production facilities. The use of renewable energy, preferably produced by the member dairy farmers themselves, also contributes towards the achievement of the climate-neutral growth ambition. FrieslandCampina is encouraging its member dairy farmers to generate renewable energy by means of wind turbines, solar panels or bio-mass by issuing green energy certificates.








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Efficient and sustainable production chains

	Goals for 2020 ¹	Results 2013	Ambitions for 2014
	Achievement of climate-neutral growth between 2010 and 2020 by achieving at least 2 percent improvement of energy efficiency a year	Energy efficiency improvement of 3.2 percent compared with 2012.	Energy efficiency improvement of at least 2 percent compared with 2013.
	At least 2 percent a year improvement of water and waste (water) efficiency	Water efficiency improvement of 2.3 percent compared with 2012.	Water efficiency improvement of at least 2 percent compared with 2013.
	100 percent use of green electricity generated in the Dutch agricultural sector in 2020	In the Netherlands 63 percent of the electricity used in the production facilities generated sustainably by member dairy farmers or generated in the Dutch agricultural sector.	In the Netherlands 100 percent of the electricity used in the production facilities generated sustainably by member dairy farmers or generated in the Dutch agricultural sector.
		Worldwide 31 percent of the electricity used in the facilities generated sustainably.	Worldwide 50 percent of the electricity used in the facilities generated sustainably.
	All purchased (agricultural) raw materials come from fully sustainably managed sources	Palm oil - 100 percent sustainable oil on basis of RSPO or comparable criteria.	Palm oil - 100 percent sustainable oil on basis of RSPO or comparable criteria.
		Soy - 100 percent sustainable soy oil and soy co-products on basis of RTRS or comparable criteria.	Soy - 100 percent sustainable soy oil and soy co-products on basis of RTRS or comparable criteria.
		Cocoa - 15 percent of purchases sustainable on the basis of UTZ Certified or comparable criteria.	Cocoa - 100 percent of purchases sustainable on the basis of UTZ Certified or comparable criteria.
		Cardboard - 100 percent of purchases for the Western-Europe market sustainable on the basis of FSC criteria.	Cardboard - 100 percent of purchases for the Western-Europe market sustainable on the basis of FSC criteria.

¹ On the basis of the relevance analysis the formulation of the goals for 2020 have been tightened. More information about this process can be found on page 64.

Relevance - The importance of this pillar

Energy consumption and greenhouse gas emissions are paid considerable attention both within and outside the dairy sector. The production facilities and the transport of milk and dairy products use a considerable amount of energy. This results in greenhouse gas emissions. FrieslandCampina has 64 production facilities in 28 countries. Two thirds of its total energy consumption takes place in the Netherlands. FrieslandCampina, with 29 production facilities in the Netherlands, has a major effect on the country's energy consumption and greenhouse gas emissions. Which is why the dairy company has committed itself to climate-neutral growth. This means the Company's production volume will increase while energy consumption and greenhouse gas emissions in 2020 will remain the same or go down. Friesland is applying the knowledge it is gaining not only in the Netherlands but also in other countries in which it operates. FrieslandCampina wants to achieve this goal by using energy and water more efficiently. Last year the Dutch government and a number of social organisations confirmed FrieslandCampina's vision regarding the reduction of greenhouse gas emissions and the striving for renewable energy. Approximately 70 percent of FrieslandCampina's total energy consumption is attributable to its production facilities and the remaining 30 percent to its member dairy farmers. This ratio applies both in the Netherlands and abroad. Environmental gains can, therefore, also be made by reducing energy and consumption at the production facilities and by member dairy farmers generating renewable energy. FrieslandCampina can also make a real difference by purchasing sustainable packaging and raw (agricultural) materials such as cocoa and palm oil. Agricultural raw materials account for a quarter of FrieslandCampina's total purchases. By buying sustainably produced raw materials FrieslandCampina can ensure they have been grown with consideration for people and the environment.



Substantial water savings through re-use

The production facility in Aalter, Belgium, has achieved substantial water savings. In 2013 the application of new purification technology enabled over 800,000 m³ of water to be re-used. Water that is used in the production process is purified to drinking water standard and recycled. This limits the quantity of water that goes down the drain, a water saving of 160,000 m³.

Goal for 2020: Achievement of climate-neutral growth between 2010 and 2020 by achieving at least 2 percent improvement of energy efficiency a year. At least 2 percent a year improvement of water and waste (water) efficiency

FrieslandCampina has an energy and water saving programme that focuses specifically on the production facilities. In 2013 FrieslandCampina carried out twelve so-called impact scans at different production facilities (2012: three impact scans) that between them account for around 40 percent of the water and energy consumption of the production facilities. The scan examined the volume of water and energy used at the facilities and possible ways to reduce consumption. Making existing processes at the production facilities more efficient has resulted in a 10 percent reduction in energy consumption.

In 2013 FrieslandCampina achieved its annual goal of a two percent energy efficiency improvement per year: compared with 2012 the primary energy consumption in the production facilities improved by 3.2 percent and water efficiency improved by 2.3 percent. In 2013 FrieslandCampina also implemented a number of saving measures including: since October 2013 FrieslandCampina DMV in Veghel has had an energy-efficient condenser that reduces energy consumption by 60 percent. The air quality at the cheese warehouse in Born is regulated by a heat pump, which has not only saved energy but improved the regulation of the air quality which, in turn, has had a positive effect on the quality of the cheese. And FrieslandCampina Heilbronn is using FlowChief – a programme with which the energy consumption in the factory can be monitored constantly and deviations discerned immediately. As a result up to five percent more

can be saved on the production facility's total energy consumption each year.

In 2014 FrieslandCampina will continue carrying out impact scans and taking the outcomes into consideration when making investment decisions. The goal for 2014 is to have completed impact scans and compiled improvement programmes for 80 percent of the production facilities.

Cooperation with social organisations to make agricultural raw materials more sustainable

To make agricultural raw materials more sustainable FrieslandCampina works closely with various social organisations in order to extend the scope and cluster the strengths. FrieslandCampina is a member of the Round Table on Responsible Soy and, within this organisation, works with the Worldwide Fund for Nature (WWF), the Solidaridad Sustainable Trading Initiative and the Nature & Environment Foundation. In the Netherlands FrieslandCampina is also a member of the Biodiversity, Economy, Ecology Platform for which No Net Loss is the guiding principle. This means members strive for no net loss of biodiversity. As a participant in the Round Table on Sustainable Palm Oil (RSPO) FrieslandCampina works with various organisations including the WWF. FrieslandCampina also works with Solidaridad on sustainable tropical fruit and with UTZ Certified on sustainable cocoa. At least four times a year FrieslandCampina meets with these stakeholders in order to safeguard progress.



FrieslandCampina DMV in Veghel installs sustainable condenser

In October 2013 an energy-efficient condenser was installed at FrieslandCampina DMV in Veghel. This condenser extracts the water from whey so the milk sugar that is present crystallises spontaneously. Thanks to the smart application of various technologies, energy-savings of 60 percent have been achieved. This equates to the usage of around 500 Dutch households. The heat that is released by this new method is utilised in such a way that cooling water is no longer necessary.

Goal for 2020: In 2015 100 percent use of green electricity generated in the Dutch agricultural sector

In 2013 around 60 percent of the electricity used in the Dutch production facilities was produced sustainably. The majority of this electricity was supplied by the member dairy farmers. More information about the way member dairy farmers are being encouraged to generate renewable energy is included in the section 'Sustainable dairy farming'.

FrieslandCampina is looking at the use of renewable energy in new buildings. By opting to use energy from bio-mass for the new production facility built in Borculo the Company has taken a new step towards climate-neutral growth. Using a completely new technology for heating without oxygen (pyrolysis) oil is extracted from sustainable bio-mass with an extremely low CO₂ emission. In 2013 the foundations were laid for the construction of a factory for Empyro in which sustainable pyrolysis oil will be produced as a fuel for the production of milk powder. FrieslandCampina is taking the pyrolysis for the production of milk powder for a period of 12 years. This is reducing the direct CO₂ emission for the entire Borculo facility by around 15 percent a year. The annual savings in fossil fuel usage translates into a reduction of CO₂ emissions equivalent to the emissions from 2,000 Dutch households.

Goal for 2020: All (agricultural) raw materials purchased from 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, therefore, also focuses on the purchase of sustainable (agricultural) raw materials.

Sustainable palm oil

FrieslandCampina has been a member of the Round Table on Sustainable Palm Oil (RSPO), an initiative to make palm oil production more sustainable, since 2007. Palm oil is a raw material of various products for the food industry including coffee creamers and fat powders. In 2011 FrieslandCampina decided to switch totally to sustainable palm oil. With its purchase of 100 percent sustainable palm oil, FrieslandCampina is a leader in this field.

Sustainable soy

FrieslandCampina uses soy oil as a raw material for its products. The dairy company is a member of the Round Table on Responsible Soy (RTRS). The goal is to make soy production in countries such as India, Argentina and Brazil more sustainable. FrieslandCampina's goal is for 100 percent of the soy it purchases to be sustainable, RTRS certificated. In 2013 this goal was achieved for soy oil purchasing. More information about FrieslandCampina's efforts in the field of sustainable soy scrap for animal feed is included in the section 'Sustainable dairy farming'.

Employee involvement in reduction possibilities

The involvement of employees is essential for the achievement of sustainable and efficient production chains. A major component of the impact scans is the carrying out of surveys among the employees in order to map possibilities for reducing consumption. The results are widely shared and improvement plans are drawn up in consultation with the employees of the relevant production facility. In this way FrieslandCampina ensures its employees are involved in the achievement of the goals that have been set.

Sustainable sugar cane

FrieslandCampina uses sugar from both sugar beet and sugar cane for a number of products. Most cane sugar comes from Latin America, Asia and Africa where it is not always grown and harvested with respect for people and the environment. Bonsucro is an international multi-stakeholder organisation that has established a standard for sustainable sugar cane. This standard is used to certificate sugar cane processors (millers). In 2013 FrieslandCampina joined this organisation in order to contribute towards making sugar can production more sustainable and being able itself to purchase sustainable sugar cane.

Sustainable packaging

Since 2011 all FrieslandCampina's primary packaging has been made from sustainably produced cardboard. Since 2013 all secondary packaging and outer packaging (boxes, wrap arounds, trays) for the West-European market, has also been 100 percent sustainable and has carried an FSC (Forest Stewardship Council) hallmark. Approximately 70 percent of this packaging is made from recycled paper fibres and 25 percent from fresh fibres from responsibly managed forests. Each year FrieslandCampina uses a total of 75 million kg cardboard for around 550 million outer packagings.

Tropical fruit

FrieslandCampina Fruitbased aims to be the first Dutch fruit juice producer with a fully sustainable supply chain. To achieve this FrieslandCampina has gone right back along the chain to the fruit grower using knowledge and expertise provided by Solidaridad. Solidaridad has helped FrieslandCampina to compile a risk analysis for each type of fruit, aimed at increasing sustainability. In 2014 FrieslandCampina will go further with the development of a new standard for sustainable tropical fruit.

FrieslandCampina's commitment to the integration of CSR in the Company contributes towards the striving to achieve the CSR ambitions. "The fact that sustainability and energy efficiency play a major role in investment decisions, shows the involvement of our Company."

Neraj Merha, Director Corporate Supply Chain

What FrieslandCampina is working on

Investing in technological innovations

To achieve climate-neutral growth FrieslandCampina must invest in new technologies that enable it to save energy and water. The speed with which technological innovations are becoming available sometimes makes it difficult to judge which is the best investment. The impact scans make the possibilities for improvement clear. FrieslandCampina already includes energy efficiency in its deliberations regarding every investment.

Developing its own sustainability standards

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. FrieslandCampina also uses the knowledge and experience of the SAI Platform (Sustainable Agriculture Initiative), which develops standards for making agricultural raw materials more sustainable. As a member of the SAI Platform's Executive Committee FrieslandCampina is involved in finding a way to guarantee this that does not involve the high costs of certification. FrieslandCampina continues to monitor the sustainability standards currently used very closely in order to gain insight into the working methods, credibility and accountability of the costs.

Standards for sustainable dairy products are also being worked on internationally via the Dairy Sustainability Framework. This international initiative of many involved parties in the dairy sector was represented during the World Dairy Summit 2013 in Yokohama, Japan. See also the section 'Sustainable dairy farming'.



BREAAM certificate for Innovation Centre

The new FrieslandCampina Innovation Centre in Wageningen is BREAAM certified and extremely sustainable. Innovative energy concepts, including heat-cold storage, solar cells and a sustainable climate system, have been incorporated into the new building. The energy consumption of the Innovation Centre is 25 percent lower than the norm specified by the government. Energy-efficient installations and equipment have also been selected. Heat is re-used. Movement detectors and daylight detectors ensure that if nobody is present the heating or cooling is turned down and the lights are turned off. The building uses bio-gas and green electricity generated by member dairy farmers.



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 agricultural and dairy farming methods that have the lowest possible impact on the environment, are animal friendly and contribute towards boosting public support for dairy farming. Since 1 January 2012 FrieslandCampina has supported its member dairy farmers via Foqus planet. With the Foqus planet programme FrieslandCampina offers its member dairy farmers the tools for achieving sustainable farm management. The Cooperative's over 19,000 member dairy farmers are working to make their farms more sustainable including through reducing energy consumption, improving the mineral cycle, reducing the use of antibiotics and improving animal welfare.





Sustainable dairy farming

Goals for 2020 ¹		Results 2013	Ambitions for 2014
	Climate-neutral growth	<p>Increase of greenhouse gasses at member dairy farms of 3 percent compared with 2012.</p> <p>Support member dairy farmers with the reduction of energy usage and with the generation of renewable energy from the sun, wind and bio-mass.</p>	<p>Reduced quantity of greenhouse gasses at the farm level compared to 2013.</p> <p>Improved monitoring of greenhouse gasses at a farm level.</p>
	Maintain the 2012 level of meadow grazing on 81 percent of the member dairy farmers' farms	<p>Meadow grazing at 79.1 percent of member dairy farms.</p>	<p>Maintain 2012 level of meadow grazing: total 81 percent.</p>
	Continuous improvement of animal health and welfare	<p>Introduction of the Cow Compass.</p> <p>Provide member dairy farmers with information and training in the field of udder infection and hoof problem prevention.</p> <p>Reduce antibiotic use to 2.9 x daily dose per year.²</p>	<p>Continue information and training through which the health and welfare of farm animals will improve.</p> <p>Continue working with relevant parties in order to reduce antibiotic use.</p>

¹ On the basis of the relevance analysis the formulation of the goals for 2020 have been tightened. More information about this process can be found on page 64.

² Based on real-time data from Medirund; re. doses per animal per year of an average dairy farm supplying FrieslandCampina (source: Productschap Vee en Vlees)

Relevance - The importance of this pillar

The dairy sector is closely linked to society and is associated with a number of social themes. Dairy farmers are valued for their role in and contribution towards the cultural landscape and rural vitality. At the same time the sector makes a significant contribution towards greenhouse gas emissions, the release of minerals (via the manure) and uses energy. FrieslandCampina and its member dairy farmers must satisfy the growing demands and wishes of buyers, governments, citizens and consumers in order to be able to continue producing, processing and selling milk in the future. These demands and wishes focus primarily on improving animal welfare and meadow grazing, energy saving, reducing greenhouse gasses and minerals.

The Dutch government is also committed to achieving sustainable dairy farming. At the end of 2013 LTO and the NZO shared their vision of the future of the Dutch dairy sector (the environmental plan 'Staying on course towards 2020: progress in responsibility'). The Dutch dairy sector has opted for land-based dairy farming and the retention of meadow grazing for cows. In this vision for the future there is, after the ending of the milk quota in 2015, space for family businesses that develop within the environmental preconditions of the State (including the phosphate ceiling), but also for businesses that are innovative in the field of sustainability and biodiversity and implement meadow grazing. With the Foqus planet programme FrieslandCampina offers its member dairy farmers tools to achieve sustainable dairy farming.

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.

Supporting and encouraging its member dairy farmers' efforts to make their businesses more sustainable is at the core of FrieslandCampina's sustainability approach. The programme focuses on knowledge exchange in workshops, via teaching farms and with the help of a website specially for its member dairy farmers. The programme components have been integrated into the existing quality system for the dairy farmers so that quality, food safety and sustainability are now integrated into a single approach. Foqus will be revised and up-dated every three years. The first evaluation of the quality and sustainability programme will take place in 2014.

"With its CSR strategy FrieslandCampina is formulating a future vision for the world. This is vital if we want to be able to meet the challenges of the future, but also if we want to be able to continue growing as a company. Together with the Cooperative and member dairy farmers we are working on achieving goals to meet these challenges. That demands broad-based and revitalising expertise and skills from our members in order to keep the growth of their farm as a family business in balance with animal, environment and climate."

Thom Albers, Director Cooperative Affairs

Goal for 2020: Climate-neutral growth

Energy and climate

FrieslandCampina has committed itself to achieving climate-neutral growth. This means that the production volume increases, but energy consumption and emissions of greenhouse gasses in 2020 remain the same or decrease (compared with the reference year 2010). 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.

Energy scans and energy workshops

FrieslandCampina works 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. To date 1,200 member dairy farmers have completed the scan. The dairy farmers can put the advice given in the energy scan into practice immediately by participating in an energy workshop. The workshops show farmers where they can make concrete energy savings. Last year 10 energy workshops were held in the Netherlands and Belgium.

Renewable energy generation

FrieslandCampina's goal for 2020 is to be using 100 percent renewable energy from its own sector, preferably generated on its own member dairy farms or, if this is insufficient, generated within the Dutch agricultural sector. Members who generate green energy can sell green certificates (Guarantees of Origin) to FrieslandCampina. In 2013 63 percent of the electricity used in the Dutch production facilities was renewable energy generated primarily in the Dutch agricultural sector, to a large extent by member dairy farmers via Guarantees of Origin.

In 2013 many innovations in the field of energy saving and renewable energy were encouraged and achieved. Member dairy farmers are supported by FrieslandCampina:

- **Van Gogh Wind Turbine Farm**
Three FrieslandCampina member dairy farmers, in collaboration with investors, have realised five wind turbines which have been in operation since December 2012. The five wind turbines produce around 27,900 MWh of electricity a year. This is roughly the same as the average electricity usage of 8,000 Dutch households and is sufficient to provide two FrieslandCampina production facilities with green electricity. FrieslandCampina will in any event be purchasing the Guarantees of Origin in 2013 and 2014.
- **Transport on the basis of biogas**
Every year the transport between the production facility and container port in Leeuwarden adds up to 200,000 transport kilometres. Since 2013 the Leeuwarden production facility has used green gas to transport products to the container port. This switch to biogas (generated by member dairy farmers) has reduced the CO₂ emissions from this transport by 80 percent.



Together create energy for sustainable dairy farming

In September 2013 a group of FrieslandCampina Future Leaders organised a stakeholder dialogue about the challenges faced by member dairy farmers in the field of renewable energy. Around 100 Dutch stakeholders (member dairy farmers, clients, NGOs and scientists), under the leadership of Cees 't Hart and Piet Boer, met together to create a basis for sustainable dairy farming. The dialogue resulted in a series of recommendations for boosting cooperation between stakeholders and thus an additional impulse for renewable energy on farms.

- **Manure fermentation**

FrieslandCampina wants to stimulate the circular economy, for example by accelerating innovations in manure fermentation (which results in biogas, artificial fertilizer substitutes or bio-based raw materials). Which is why several of the dairy company's member dairy farms now have small-scale mono-manure fermentation plants. FrieslandCampina is also involved in the installation of large-scale mono-fermentation plants, for example in cooperation with partners such as Royal Haskoning, DHV, Vion and Omrin. The Company has explored various possibilities and the equipment needed by the member dairy farmers and will work this out in more detail in 2014.

- **Solar energy**

After conducting an energy scan around 30 member dairy farmers purchased solar panels that will enable them to produce milk in an electricity-neutral way. FrieslandCampina is facilitating the purchase, installation, management and maintenance of the solar panels for these member dairy farmers. Every dairy farmer produces an average of 36,000 MWh electricity with around 180 panels.

- **Awareness of renewable electricity**

On 13 June 2013 FrieslandCampina and Courage organised a meeting about renewable electricity in Zutphen. 80 experts exchanged their thoughts about dairy farming's perspectives as a supplier of renewable electricity. The Photon Farmer Borgman-Roeterdink in Vierakker was visited as best practice. The company has experience with solar panels, electricity storage and unique, innovative LED lighting and there are plans for small-scale wind turbines. Project Photon Farmer showed what an energy-neutral dairy farm of the future can look like.

Phosphate and manure

The vision of the future for the Dutch dairy sector, compiled by LTO and the NZO in 2013, includes measures for a better utilisation of minerals with the help of the insights from the 'KringloopWijzer' (Dairy Sustainability Loop), the optimum use of the placement quotas for phosphate and measures for manure processing.

On average, 75 percent of the animal feed used by a dairy farm comes from its own land and is fertilized for 65 - 100 percent by the manure produced on the farm. The Dairy Sustainability Loop, developed as part of the Cows and Chances (Koeien en Kansen) innovation programme,

illustrates very clearly the feed-manure usage loop and the related surpluses and emissions (nitrogen and phosphate). FrieslandCampina encourages its member dairy farmers to use the KringloopWijzer, which it sees primarily as a management tool. In 2013 FrieslandCampina organised four study meetings and also started a pilot scheme whereby 120 member dairy farmers used the KringloopWijzer to draw-up an action plan for better mineral utilisation on their farms. In 2014 the 'KringloopWijzer' will be included in the Fokus planet programme and as of 1 January 2015 its use will be obligatory for all dairy farms with a manure surplus.

Goal for 2020: Maintain the 2012 level of meadow grazing on 81 percent of the member dairy farms

Outdoor grazing

FrieslandCampina wants every dairy farmer to be committed to making meadow grazing possible. Every dairy farmer whose dairy cows graze outside for at least six hours a day, 120 days a year receives a meadow milk payment. As additional encouragement, in 2012 FrieslandCampina raised this payment from 0.05 euro to 0.50 euro per 100 kilos of milk and also developed a scheme for partial meadow grazing. This applies to dairy farmers who do not meet the standards for meadow milk but who do graze a quarter of the herd that is present on the farm for at least 120 days a year. Around 79 percent of the member dairy farmers offered their cows meadow grazing in 2013 (including partial meadow grazing). The goal is to maintain the 2012 level of 81 percent.

Since 2012 FrieslandCampina has also been a signatory of the Meadow Grazing Covenant (Covenant Weidegang), whereby the dairy company has undertaken to offer meadow grazing to as many cows as possible and to maintain the level of meadow grazing at 81 percent (2012 level) of the member dairy farms. FrieslandCampina puts this undertaking into practice with workshops and training days about meadow grazing. In 2013 47 workshops and training days were held in both the Netherlands and Belgium.

Goal for 2020: Continuing improvement of animal health and welfare

Reduced use of antibiotics

It is important for the health of both people and animals that dairy farming makes better, and less, use of antibiotics. The goal is to reduce the resistance of disease-causing bacteria to antibiotics. The dairy sector has set the necessary actions in motion. 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 (19 in total in the Netherlands and Germany), encouraging increased awareness and imposing strict requirements where necessary.

The government set a goal for the use of antibiotics: a reduction of 50 percent in 2013. This goal was reached in 2012. The Animal Medicines Authority (Autoriteit Diergeneesmiddelen) recorded a further drop in antibiotic use on Dutch dairy farms in 2013. According to the Authority's new calculation system, in the third quarter of 2013 the average use of antibiotics per animal per year was 2.9 times the amount of antibiotic that constitutes a daily dose for an animal. As the new calculation method includes the weight of young animals in the total weight of the livestock, the dosage figure is lower than in the preceding years. The target for annual antibiotic use per animal has been fixed at 3 times the daily dose per animal per year. From 2015 this will be applicable for all FrieslandCampina member dairy farmers.

Koe-Kompas (Cow Compass)

Proper feeding, the responsible use of animal medicines and the targeted prevention and combating or management of animal diseases ensure the good health of the cows. This demands good farm management. The 'Koe-Kompas' is a management tool that provides an analysis of the dairy farm. It was developed by veterinarians and dairy farmers and is based on a thorough medical check of the animals. The analysis maps the strong points of the dairy farm and indicates 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. After a successful pilot scheme with two groups of member dairy farmers, the 'Koe-Kompas' was added to the Foqus planet programme as of 1 January 2014.

International recognition for animal welfare

In 2013 FrieslandCampina organised a total of 122 workshops on hoof health and udder health for member dairy farmers in the Netherlands, Belgium and Germany. The member dairy farmers' commitment to animal welfare has been recognised internationally. On 30 October 2013 Compassion in World Farming (Compassion) presented the Good Farm Animal Welfare Awards. These awards go to companies that are making great strides in the field of animal welfare and meet specific criteria. FrieslandCampina received a Good Dairy Commendation for the 'Campina' brand due to the attention focused on animal welfare within the Foqus planet sustainability programme.

International agreement on sustainable dairy

FrieslandCampina, together with other worldwide dairy companies, the Global Dairy Platform, the International Dairy Federation (IDF), the European Dairy Association and the SAI Platform (Sustainable Agricultural Initiative) has formulated an international approach for sustainable dairy. This approach was presented during the IDF's global congress in October 2013. The result - the Dairy Sustainability Framework - is a worldwide method for formulating the term "sustainable dairy". With the help of this framework international moves to make the dairy sector more sustainable will be stimulated. In the Netherlands the framework will be filled in via the Sustainable Dairy Chain - a cooperation between the NZO and the LTO aimed at making the Dutch dairy sector more sustainable.

What FrieslandCampina is working on

Sustainable soy scrap for cattle feed

FrieslandCampina uses soy oil as a raw material for its products. In addition, 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. It has been calculated that around 150,000 tons of soy scrap is used each year in the feed used by FrieslandCampina's member dairy farmers. The goal is to make soy production in countries such as India, Argentina and Brazil more sustainable. FrieslandCampina's goal is for 100 percent of the soy processed into its cattle feed to be sustainable (RTRS certificated or equivalent) from 2015 on. According to the RTRS criteria (or equivalent), 53 percent of the soy scrap in the feed (80,000 ton) is sustainable.

In 2013 a study involving 30,000 local soy farmers was carried out into the impact of a Solidaridad project in India. In the period 2009 - 2012 the activities in India were supported by Dutch dairy companies, such as FrieslandCampina. The study showed that this project contributed towards higher incomes and better living conditions for the farmers, without damaging the environment. Over 30,000 small-scale soy farmers have been trained to work in accordance with the RTRS principles. The most important results were:

- Production up by an average of 54 percent;
- Use of chemical fertilizers down by an average of 23 percent;
- Average income up from 540 euro to 1,280 euro a year;
- Child labour down from 53 percent to 17 percent.

Up-dated Foqus planet

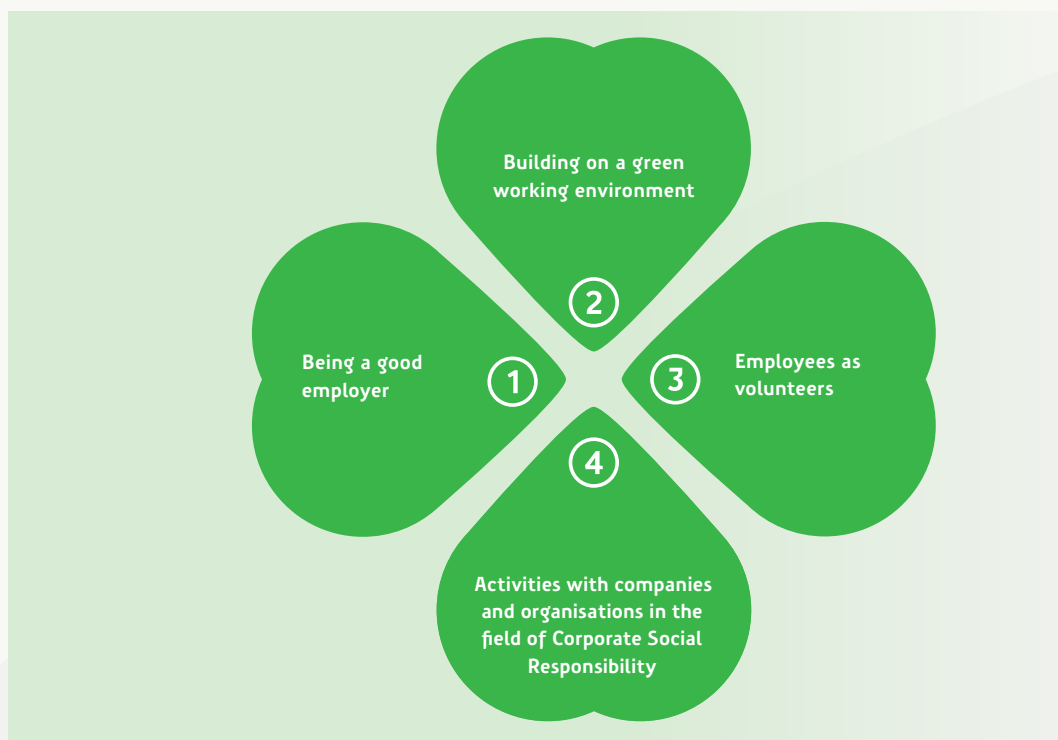
FrieslandCampina and its member dairy farmers are tackling major challenges related to the themes meadow grazing, biodiversity and soil condition, animal welfare and reducing dairy's environmental impact. To maintain the support of clients, governments, residents and consumers it is important that the way the member dairy farmers manage their farms is optimally tuned to the wishes and demands of these different stakeholders.

In 2014 the Foqus planet programme will be reviewed and up-dated. The review will involve taking a fresh look at the methodology and content of all the quality and sustainability aspects. With a revised quality and sustainability programme (as of 1 January 2015) member dairy farmers will be encouraged to organise their farms on the basis of the various quality and sustainability themes. The aim of the programme is the safeguarding, stimulation and transparency of quality, animal health, food security and responsible, sustainable operation.

FrieslandCampina, together with its member dairy farmers, is striving to create a sustainable dairy sector through various measures. In 2014 FrieslandCampina organised around 100 theme meetings that revolved around sustainable dairy farming and Foqus planet. During these meetings discussions with member dairy farmers covered topics such as ways in which they can contribute towards a sustainable dairy sector.



Employee involvement



To achieve the *route2020* ambitions, a worldwide Human Resources strategy has been developed. CSR plays an important role in this strategy. FrieslandCampina accepts its responsibility to be a good employer and invests in high-quality, motivated employees and a stimulating and inspiring environment.

The HR policy in respect of CSR is visualised in the form of a four-leaf clover. The four leaves represent the four HR areas which together result in committed employees who are successfully building a sustainable company:

Being a good employer

For FrieslandCampina, being a good employer means providing the right career opportunities, maximum scope for developments and appropriate terms of employment and fringe benefits. It also means being committed to a safe and healthy working environment and an appropriate corporate culture. In 2012 and 2013 the focus was on talent development, during which career paths and possible next steps were planned with the employees themselves.

Opportunities for training and development

FrieslandCampina employees are offered a wide range of training programmes via the FrieslandCampina Academy. In 2013 more than 3,000 2,819 employees followed one of the around 300 training courses. The FrieslandCampina Academy's offering includes:

- General FrieslandCampina programmes: Goodness of Dairy, Code of Conduct, *route2020* and Project & Portfolio Management;
- FrieslandCampina behaviour competencies: for example coaching skills and personal effectiveness;
- FrieslandCampina management and leadership programmes: Leading Self, Leading People and Leadership in a Change Environment;
- FrieslandCampina functional competencies: Commercial Academy (Consumer Marketing, Shopper Marketing, Customer Development), HR Academy and B2B Sales Academy.

The Academy's training offering is adjusted each year to match FrieslandCampina's strategy. Many programmes are offered in combined form, for example as a mixture of e-learning, workshops and work-related assignments. In addition to the Academy, FrieslandCampina offers a number of programmes aimed at leadership development for special

A good employer according to Cambridge University

Out of a long list of companies Cambridge University selected FrieslandCampina to serve as one of the examples in a book titled 'Strategies for Success' that will be published in 2014. Cambridge University praised FrieslandCampina for being an organisation with a good reputation as an employer that takes notice of the expectations and needs of talented and ambitious employees and that has a clear sustainability strategy.

target groups. CSR is a component of these programmes and is paid considerable attention, for example via certain assignments and business challenges carried out by the participants.

- The organisation's top-two management layers participate in leadership programmes designed specifically for FrieslandCampina. These programmes are held in Lausanne in cooperation with IMD - a renowned business school.
- FrieslandCampina worked with the UK's Ashridge international business school to compile the 'Leading to Succeed' and 'Taking the Lead' programmes for young talent. The 12 to 18 month programmes includes a community investment project in which all participants take part in a sustainable development project.

FrieslandCampina arranges Short Term Assignments (3 - 12 months) and Long Term Assignments (1 - 5 years) that involve sending employees to another country to fulfil an assignment or fill a position. In 2013 FrieslandCampina paid considerable attention to the Short Term Assignments as a component of the personal development of, mainly, young talented employees. The number of deployments rose. In total there were 122 Long Term Assignments, spread over 24 countries, and 16 new Short Term Assignments were started in nine countries.

Fit colleagues

FrieslandCampina sets great store by the fitness of its employees. The aim of the fit4work2020 programme in the Netherlands is to keep employees fit and healthy, both physically and mentally. The programme consists of four spearheads: prevention policy, health and safety policy, absenteeism policy and reintegration policy. In 2012 most of the work went on behind the scenes to prepare the organisation for campaigns and measures related to these four spearheads. Considerable attention was paid to the reintegration of employees after long sick leave. In 2012

and 2013 absenteeism due to illness in the Netherlands was 3.9 percent, compared with 4.8 percent in 2011. HR colleagues also collected examples of best practices and sought possibilities for improvements related to key health themes.

BOEST

In mid October 2013 FrieslandCampina began a pilot project focused on vitality that ran until the end of March 2014 and involved 300 Dutch employees from both the production facilities and the central office. The aim of the project was for the participants to achieve their personal goals in the field of exercise, diet and relaxation. Participation in the project was voluntary, but the employees were asked for a six months commitment. Every participant went through a registration process that involved filling in a questionnaire and a discussion about his/her personal goals. After that each participant received individual coaching from a former top-sporter via the website, e-mail and telephone and workshops were organised that were attended by everybody in the participant's department. BOEST encourages colleagues to share the tips and advice so they work together on physical, mental and emotional health. If the pilot proves successful FrieslandCampina will investigate the feasibility to extend it to all its employees in the Netherlands.



Working towards the sustainable availability of employees

Sustainable availability is also part of the fit4work2020 programme. Sustainable availability means that employees are able and willing to remain healthy and functional throughout their working life. This is a shared responsibility: the employee is partly responsible and FrieslandCampina wants to give the employee the scope to work in a healthy and safe way. This applies for every department within FrieslandCampina. The project focused on the quantitative and qualitative workforce needed for the production facilities. Due to the current average age of employees and the expected natural outflow from the production facilities, between now and 2020 a significant number of employees will leave the Company. A shortage of highly qualified technical staff is also expected. In order to respond in good time, and thus safeguard the dairy knowledge and experience that has been built up for the future, a cooperation has been established with other dairy companies and training institutes. The foundations have been laid for the operator Academy and training programmes for team leaders, installation engineers and laboratory technicians. These training programmes started in 2013. FrieslandCampina is taking active steps to strengthen cooperation with schools and make the most of work-placements. FrieslandCampina wants to use this opportunity to give students the chance to complete their studies successfully and FrieslandCampina the chance to recruit talent at an early stage.

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. Last year FrieslandCampina intensified the internal dialogue around safety even further. The employees at every location are working to reduce the number of incidents and near incidents. Experiences have also been shared around the world to ensure locations learn from each other and safety improves structurally throughout the entire organisation. When it comes to safety FrieslandCampina feels responsible not only for its own employees, but also for the safety of sub-contractors' and suppliers' temporary staff worldwide. This is handled in consultation with the purchasing department, in talks with sub-contractors and as a component of the purchasing conditions. Safety is also paid considerable attention in large projects, for example when constructing new buildings.

All this is contributing towards a higher level of safety and fewer accidents. In 2013 the number of accidents resulting in sick leave fell by 40 percent compared to 2012. The accident rate for every 200,000 hours worked (LTA rate) was 0.6 percent in 2013. The LTA rate has been below the goal of 1.35 percent for the past two years. Safety has remained high on the agenda in 2014. A safety leadership management programme that will enable managers to spread the safety message to their staff even more clearly is being rolled-out in 2014.

A safe working environment is a priority for FrieslandCampina. Last year there were 24 production locations at which there was not a single accident resulting in sick leave during the entire year.





Focus on diversity

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

In 2013 FrieslandCampina paid considerable attention to raising awareness in the field of diversity further. Leadership programmes with the organisation's top-70 devoted three days to talent management and diversity. Generation differences, the male-female ratio and the needs of different types of employee were discussed. In the coming years diversity will play a greater role in talent management.

The percentage of women in senior management positions is a specific attention point. In recent year this percentage has risen slightly to 14 percent in 2013. The aim is for this percentage to rise more sharply in the coming years. An action plan for the inflow and development of female top talent will be implemented from 2014 on. In 2020 FrieslandCampina wants 30 percent of the top positions in the organisation to be held by women.

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.

Green lease car policy

In January 2012 a new lease car policy was implemented in the Netherlands to encourage employees to use more sustainable means of transport. FrieslandCampina has offered employees more fuel-efficient cars and also encouraged the use of public transport by offering an NS (railway) Business Card. In 2013 FrieslandCampina looked into the use of electric cars via a pilot project. When electric cars with a greater range become available FrieslandCampina wants to include them in the new lease policy.

Company-wide initiatives

The entire organisation is implementing measures to create a greener workplace. These include recycling initiatives in the Netherlands, the Middle East and Southeast Asia and a greater focus on responsible printing and waste management in Belgium, Greece and Hungary. The green workplace is also receiving a lot of attention in Asia. FrieslandCampina Hong Kong, for example, has established a Green Team. The team of volunteers has launched several sustainability campaigns to reduce the Company's CO₂ footprint. FrieslandCampina Thailand is another example. This operating company is striving to reduce the use of packaging material, energy, water and office articles with Reduce, Reuse & Recycle programmes.

In 2013 Thailand received the Excellent CSR and Sustainability Programme Award for these programmes. Work is also continuing on the digitisation of the HR system. This project, called Horizon, will reduce the paper stream substantially. From 2014 on Horizon will integrate various HR processes, such as talent management and career development. An internal talent data base can also be compiled via Horizon and employees can follow e-learning courses. Horizon will be rolled-out worldwide.

Fresh ideas from trainees

In 2012 FrieslandCampina introduced a business challenge related to sustainable energy into its trainee programme. To gain a new perspective on the achievement of the CSR goals the seven corporate trainees were challenged to map possibilities for renewable energy both within FrieslandCampina as a company and for the member dairy farmers. The trainees identified numerous dairy farmers who were already setting a good example by installing bio-fermentation plants, solar panels and wind turbines. This inspired them to spread this positive movement further, for example by distributing the film 'together to the next generation' within FrieslandCampina and among the member dairy farmers. Other ideas from the trainees were cooperation with agricultural colleges and providing more support to enable member dairy farmers to achieve sustainability. They also clustered their strengths with the Future Leaders and contributed towards the stakeholders dialogue about renewable energy in September 2013. For more information see the section 'Sustainable dairy farming'.

Employees as volunteers

Employees are active on many fronts as volunteers in social projects around the world.

Involvement with farmers in Asia and Africa

FrieslandCampina employees can use their knowledge and expertise to help dairy farmers in Asia and Africa via volunteer pools. In most cases this is in cooperation with Agriterro. The cooperation can involve the transfer of knowledge, but it can also take the form of direct help with building cattle sheds or organising their administration. FrieslandCampina and Agriterro hope to send 15 member dairy farmers to Asia or Africa each year. The section on the development of dairy farming in Asia and Africa contains more about this special partnership.

Local Green Teams

A group of young FrieslandCampina employees (aged up to 35) in the Netherlands - the Youngstars - took the initiative to raise awareness of CSR among colleagues at the various locations. In 2013 Green Teams were established at many locations in the Netherlands. The Green Teams are active in many different locations drawing attention to CSR locally by managing sustainability initiatives in the field of energy, water and waste reduction. The Green Teams are an initiative of the FrieslandCampina Leaders for Nature. A team includes one or more members of the Youngstars, a member of the Works Council and the location Manager. In 2013 the Teams implemented various initiatives, such as the development of plans for LED-lighting, local surveys among colleagues, organising talks with local management teams about opportunities for increasing sustainability, the local reduction of energy consumption and the reduction of waste on packaging lines. The participation of three representatives of the young generation of FrieslandCampina in the CSR Board shows employees' involvement in CSR.

Activities with companies and organisations in the field of Corporate Social Responsibility

Partnership between FrieslandCampina and the Netherlands Red Cross

In 2012 FrieslandCampina and the Netherlands Red Cross signed a five-year partnership agreement. During this period FrieslandCampina will support national and international projects run by the Red Cross. In 2013 FrieslandCampina employees once again made significant efforts on behalf of the Red Cross. This year the projects were aimed at help to relieve the famine in Namibia. Employees and member dairy farmers also collected money via 3FM Serious Request for children dying from diarrhoea.

The Disaster Relief Partner Programme is a new step in the partnership with the Netherlands Red Cross. More than 25,000 employees of Mammoet (a company specialised in hoisting and transportation) and FrieslandCampina are involved in this programme. They collect money for victims of natural disasters via on-line fund-raising campaigns they set up themselves. In November 2013 FrieslandCampina employees donated more than 21,000 euro to the Netherlands Red Cross for the victims of the typhoon in the Philippines. Alaska Milk Corporation in the Philippines offered direct help with their own Operation Rainbow team. Volunteers dispensed milk and water to the victims of the typhoon. The cooperation can also be seen in Indonesia. Around 6,000 people, including 2,000 children, affected by a volcano erupting received dairy products from FrieslandCampina Indonesia. In total FrieslandCampina employees have collected around 600,000 euro for the Netherlands Red Cross in two years.

Over2you employee survey

In 2013 the outcomes of the 'over2you' survey carried out among all employees in 2012 were shared with all the employees. Over 80 percent of the employees completed the survey. The results showed a high degree of involvement and pride among the employees, including regarding FrieslandCampina's Corporate Social Responsibility, as well as areas that could be improved, such as change-management and internal communication. 94 percent of all the improvements were implemented during 2013. The employee survey will be carried out every two years so that FrieslandCampina can keep a finger on the pulse and can continuously improve.

Our way of working

FrieslandCampina also wants to be the world's most successful, professional and attractive dairy company for its employees. An inspiring and dependable employer that offers its employees opportunities, creates a good and safe working environment and organises relevant training courses. FrieslandCampina sums this up as 'The way we work'. The aim of FrieslandCampina's company culture and working environment is to enable individual talents to be developed to the maximum and, at the same time, to contribute towards the achievement of the Company's ambitions. Inspiring and motivating employees and promoting enterprise are key aspects. Within *route2020* this translates into a way of working that revolves around alignment, accountability and action.

Challenges and ambitions

Safety

Employees' safety is a priority for FrieslandCampina. It's where being a good employer starts and the basis of the CSR policy. FrieslandCampina believes in operating responsibly and sustainably. If employees are the victims of unsafe working conditions, how much credibility of responsible and sustainable enterprise remains? Very little. In 2013 the number accidents resulting in employees having to take sick leave was 40 percent down on the previous year, in part due to the paying a lot of attention to the responsible use of and safety around machinery and an even better guidance of temporary contract staff from suppliers working on the sites. But every accident will always be one too many. In 2014 we will once again do everything we can to prevent accidents, for example by training employees to recognise risks and increasing their safety awareness.

Our 'Purpose' as the accelerator of CSR

In 2012 making the importance of operating sustainably clear to every employee in 28 countries, and the march towards, that sustainability still looked as if they would be major tasks. But when FrieslandCampina's corporate story and our purpose were rolled-out in 2013 something remarkable happened. The clear answer to the question 'who are we, what do we stand for and how do we want to achieve our ambitions in the interest of all our stakeholders', evoked considerable recognition and appreciation within the company. This broadened the understanding of, enthusiasm for and involvement in the

theme among the over 21,000 employees and accelerated the integration of CSR in the operation. The video message from the former United Nations Secretary-General, Kofi Annan, during the opening of FrieslandCampina's new Innovation Centre in Wageningen on World Food Day in 2013 made a particularly deep impression. The top diplomat sketched the global food security problem, the fast-growing world population, the position of small farmers in the world and the dramatic figures and trends behind malnutrition and obesity. Companies such as FrieslandCampina can, in his opinion, help through innovation programmes focused on achieving affordable, safe and healthy nutrition that is produced, processed and distributed to customers and consumers in a sustainable way. In addition we can transfer knowledge to farmers in dairy farming in Asia and Africa. And that is also precisely what we do. 19,000 member dairy farmers and 21,000 employees of FrieslandCampina have taken up these challenges together.

Generation Y

The active involvement in CSR of the younger generations of employees is continuing unabated. This proves that they also consider the theme important and no longer disconnected from their working (and private) lives. To a great extent leadership development for young talent takes place along the lines of CSR. So, in the context of a leadership challenge, a stakeholder dialogue at the head office was organised with 100 participants from the government, NGOs, science and commerce in September last year. To ensure that their generation's concern for



"We believe in the business case of sustainability and its importance for the continuity of FrieslandCampina, the retention of the support of the politicians and public in the Netherlands for the dairy sector and the achievement of customer value and smart innovations."

the future is heard and innovative ideas, critical reflection and concrete support will find their right road, three young managers are now part of the CSR Board under the leadership of the CEO. A start was also made with the formation of Green Teams at a number of operating companies in the Netherlands, a CSR awareness-building campaign among employees was started at 'Cheese' and young colleagues took part in business programmes such as IUCN's 'Leadership for Nature' and sustainability challenges such as 'Nudge'. Now the task is to, with their support, form a bridge to the even more active involvement of all employees in a structured way. In 2014 we hope to be able to take major new steps in this respect.

(Better) Measuring is Knowing (More)

In 2013 we had to do some serious catching up with regard to our CSR reporting. Towards this end, in cooperation with PwC, accountants and auditors from the financial departments plus the 'owners' of the four CSR pillars and the CSR goals behind them, a project team was formed that worked on a more robust and accurate system for monitoring, measuring, reporting and verification. Including a step-by-step plan for the integration of the financial and CSR reporting in the coming years. This system will be rolled-out worldwide and must put us in a position - over the full breadth of our business chain from grass to glass - to be able to measure and monitor where we stand with the achievement of our CSR goals more precisely and report on this more accurately.

The proof of the pudding is in the eating

In addition to the high points of last year, such as the previously mentioned acceleration of the integration of CSR within FrieslandCampina's processes and disciplines, the new steps in the Dairy Development Programme for China and Indonesia and the support provided to 130,000 farmers in Asia and Africa together with partners such as the Dutch Foreign Ministry, Agriterro, Solidaridad, and the Rabobank Foundation, at the end of last year another major break-through happened. With the disappearance of the milk quota in the European Union in mind, farmers' organisation LTO and the Dutch Dairy Organisation (NZO) drew up a vision on the future of the Dutch dairy sector and proposed a plan of approach to solve sustainability issues such as manure, minerals and greenhouse gases. The vision and proposed measures cannot assume the support of the politicians and the social mid-field, but it is in fact now the case that with the implementation of Fokus planet - the programme for sustainable dairy farming - FrieslandCampina, together with its member dairy farmers, is ensuring that the stated goals

will be achieved and promises kept. "The proof of the pudding is in the eating" as the British say and this spoon is going back in the pudding pretty quickly. FrieslandCampina must now show that it is aware of the urgency and year after year must come up with the results. But that is why the CSR system - and the efforts of our people behind the system - covers our entire chain. We believe in the business case of sustainability and its importance for the continuity of FrieslandCampina, the retention of the support of the politicians and public in the Netherlands for the dairy sector and the achievement of customer value and smart innovations.

Frank van Ooijen

Corporate Director Communication, Sustainability Affairs and FrieslandCampina Institute

The value of CSR: opportunities for brands, markets and clients



FrieslandCampina is committed to high standards of quality, safety, sustainability and transparency throughout the entire chain - 'from grass to glass'. This lays the foundation for buyer and consumer trust in the products and safeguards the continuity that is so characteristic of the Cooperative.

FrieslandCampina believes in creating shared value: the simultaneous achievement of a good income for the member dairy farmers, perspectives for employees and value for customer and consumer. At the same time FrieslandCampina is an added-value for the community in which it operates. The CSR strategy offers many opportunities for FrieslandCampina's brands and markets to realise this value for customer and consumer.

Several inspiring examples:

Quality, taste and sustainability at Landliebe

One of FrieslandCampina's German brands, Landliebe, combines high quality and taste with sustainability; Landliebe only uses milk from the Landliebe cows of around 1,000 family businesses located near the Landliebe factories. Besides Fokus planet being the starting point for these dairy farmers, they also use a unique feed concept - the cows are only given locally produced feed. These Landliebe dairy farmers receive a special 'Landliebe milk price' that includes a premium for their efforts. This approach is also the guiding principle for other aspects of the brand, such as the ingredients. Landliebe's recipes have the shortest possible list of ingredients, all of which are natural.



"I am proud of the fact that Landliebe is one of the biggest brands in Germany, but especially of the way the brand has become so big; by telling a transparent and honest story. You can't make any compromises. Every link in the chain has to be in-line and everything has to add up."

**Inka Weber, Consumer Marketing Manager
FrieslandCampina Germany**

FrieslandCampina's overall CSR strategy is translated into the needs of the German customers and consumers and into Landliebe's marketing strategy - the means of telling the message. The brand communications tell the story of the remarkable farmers behind the brand in a clear and transparent way via the brand's website, other online canals, the packaging and TV and print.

That sustainability contributes to the brand value of Landliebe is proven by the brand itself, which year after year achieves high scores for customer appreciation and recognition. In 2013 Landliebe was the Number 1 brand in Germany for reputation, support and use. On top of that, in 2013 Landliebe ranked among the top 10 brands most trusted by German consumers. Landliebe's customers also appreciate the efforts, they ask the brand for the specific sustainability characteristics of the product and even monitor FrieslandCampina's progress.

Health is the key in Asia

Dutch Lady is FrieslandCampina's biggest and most well-known brand in Asia. Dutch Lady's brand position has been built-up from different components. First and foremost quality, taste and convenience. The Dutch Lady brand also stands for family nutrition. It is a family brand that offers the whole family healthy dairy products. FrieslandCampina's CSR strategy offers opportunities to strengthen the brand, particular in relation to the nutritional value of different products for families and children.

Consumers in Asia set great store by their personal wellbeing. This dovetails well with FrieslandCampina's ambitions to combat malnutrition and obesity and stimulate good nutrition and exercise. The outcomes of the SEANUTS survey (see also the section 'Nutrition & health') provide the guidelines. FrieslandCampina has adjusted the recipes of its products, for example by adding vitamins, to reduce the nutrient deficiency of children. FrieslandCampina has also looked at reducing the sugar content of products and, at the same time, encouraged children to exercise more. In Asia, in partnership with Junior NBA, basketball clinics have been organised in schools and school programmes have been developed.

Emphasising the nutritional value of its products fits in with Dutch Lady's existing communication approach. Only in this way it can strengthen the brand positioning.



"We are all faced with the challenge of translating the umbrella CSR policy to the different brands and customers. This is how we can add value for customers and help them achieve their own goals. Then FrieslandCampina's efforts are of real interest."

Gert Jan Poort, Sales Manager Foodservice, FrieslandCampina



Campina milk on board KLM flights

Since 1 October 2013 Campina milk has been available on all KLM's intercontinental flights. KLM's wish to purchase products from a supplier with a comprehensive CSR policy and a high degree of transparency made FrieslandCampina a perfect match. FrieslandCampina supplies milk from cows that graze outdoors in Dutch meadows for at least six hours a day on at least 120 days a year. FrieslandCampina also met two other KLM criteria: a high level of animal welfare and responsible soy on the basis of the RTRS (Round Table on Responsible Soy) criteria. The Foqus planet programme and FrieslandCampina's transparency from grass to glass enabled the dairy company to guarantee these sustainability aspects.

Cooperation with customers

More and more of FrieslandCampina's customers are making sustainability-related demands of their suppliers.

CSR plays a major role in the food service market (out of home, such as catering, restaurants, convenience, institutions). FrieslandCampina's CSR policy is often the basis for partnerships. The food service sector offers many opportunities for FrieslandCampina to help customers with their own sustainability profiling. Customers are seeking ways to give more substance to their own sustainability policies. FrieslandCampina Foodservice supports them in this, for example by looking at sustainability throughout the chain, by using packaging with a lower environmental impact and by offering products with a reduced sugar content.

A Unilever Partner to Win

FrieslandCampina's commitments in the field of CSR are being seen more and more by its customers. In 2010 FrieslandCampina customer, Unilever, launched the 'Partner to Win' programme. This is a strategic programme aimed at building and strengthening relations with the most important suppliers with the objective of stimulating joint growth. FrieslandCampina has been a 'Partner to Win' since 2012 and with this Unilever's preferred supplier of dairy products.

Within the 'Partner to Win' cooperation the two companies have formulated four shared intentions, including an intention in the field of sustainability, that must be achieved within four years. Both companies have pledged to work together on development, innovation and the promotion of sustainable production, packaging and logistics. FrieslandCampina's compliance with Unilever's Sustainable Agriculture Code is a first step towards an enduring relationship. The second, and more important step, is the achievement of joint growth. In 2013 and 2014 Unilever and FrieslandCampina are collecting ideas and

drawing up action plans to see how this joint growth can be achieved. In 2013 the first workshops were held to develop ideas and ambitions and share best practices. The ideas vary from sustainable energy solutions to improvements in production processes for joint cost savings and product development.

In recent years Unilever and FrieslandCampina have worked increasingly closely together. The advantages of the partnership for both companies are greater than it was initially thought they would be. The two companies are, for example, learning from each other's sustainable agriculture programmes (Foqus planet and Unilever's Sustainable Agriculture Code). The shared vision of the importance of sustainability is, and will remain, the key impulse for the partnership.



"We want to build on the brand in an integrated way, by linking the healthy diet message directly to our product. We're doing this step-by-step. A next step for the brand is to actively inform consumers about a healthy lifestyle and diet via packaging or campaigns."
Aart Jan van Triest, Category Director Dairy Based Beverages, FrieslandCampina Singapore

Public support for the CSR policy

Public support for FrieslandCampina's CSR policy is important – it ensures FrieslandCampina can extend its CSR policy further and raise it to a higher level. In 2013 FrieslandCampina was able to maintain and further strengthen its social position in the Netherlands. In addition, the CSR activities and efforts, especially in the field of innovation and social empowerment, of various international operating companies were recognised with distinctions.

Good Dairy Commendation Award: prize for animal welfare

On 30 October 2013 Compassion in World Farming (Compassion), an organisation that since 1967 has focused on the welfare of farm animals, presented the Good Farm Animal Welfare Awards in Paris. These awards are given to companies that make major strides in the field of animal welfare. FrieslandCampina received a Good Dairy Commendation for the 'Campina' brand for meeting the criteria through its Foqus planet programme and the efforts made as part of this programme to promote meadow grazing and animal health. Consumers can see and experience this for themselves every year during the Open Farm Days.

Lean and Green Award

FrieslandCampina DMV received the Lean and Green Award in November 2013. Lean and Green is a stimulation programme for companies and the authorities implemented by Connekt, an independent network of businesses and authorities that brings parties together to work on the sustainable improvement of mobility in the Netherlands. FrieslandCampina has shown that it can reduce the CO₂ emissions from the transport of raw materials by 33.8 percent. The Company achieved this in several ways including through the Amigo project, whereby the milk is skimmed at the production facility itself and does not

have to take place elsewhere. The capacity of the milk ship that sails through the Zuid-Willems canal was increased so transporting the milk from Den Bosch to Veghel by road is no longer necessary. Products are now stored at a single location and, last but not least, FrieslandCampina is going to use the Inland terminal in Veghel instead of the terminal in Den Bosch.

Unilever Sustainable Agriculture Code certification

In 2013 FrieslandCampina once again received the certification that confirms that all the milk FrieslandCampina supplies to Unilever comes from sustainable dairy farms that meet Unilever's sustainability criteria. In the autumn of 2013 Unilever and FrieslandCampina carried out an assessment on the basis of the so-called Unilever Sustainable Agriculture Code for the third time: 117 dairy farms, selected at random, were visited and evaluated on their sustainability according to a questionnaire. As a result of the renewed certification FrieslandCampina will retain its position as Unilever's preferred supplier of ingredients for the business market (such as butter, butter oil, cream in aerosols and ingredients for ice-cream, soups and sauces).

Green Industrial Award for Frisian Flag Indonesia

Frisian Flag Indonesia (FFI) has implemented environmentally friendly production processes, aimed at the careful handling of the surrounding natural environment, at two production facilities. In 2013 these efforts were rewarded with the awarding of the Green Industrial Award by the Indonesian Ministry of Industry. This award was presented by the Indonesian Minister of Industry and was received by Sri Megawate and Jan Wagenaar from FFI.

Excellent CSR & Sustainability Program of the Year 2013 award for FrieslandCampina Thailand

In 2013 FrieslandCampina Thailand won the Excellent CSR & Sustainability Program of the Year 2013. This award was presented by the Dutch-Thai Chamber of Commerce and the Belgian-Luxembourg-Thai Chamber of Commerce and stimulates the Dutch-Thai relationship. FrieslandCampina Thailand received the award for its efforts in the field of CSR and in particular the development of sustainable dairy farming, help for local communities and the preservation of the environment.





Asia Responsible Entrepreneurship Award 2013 for FrieslandCampina Vietnam

The Asia Responsible Entrepreneurship Awards programme (AREA) recognises Asian companies that achieve successful results in the field of sustainability and Corporate Social Responsibility. The awards are awarded annually by Enterprise Asia, a local NGO. On 29 June FrieslandCampina Vietnam was the first company in Vietnam to receive the prize in the 'social empowerment' category. The company received the prize for its efforts to reinforce local social projects and activities, in particular thanks to programmes such as the Dairy Development Programme, the Den Dom Dom Education Fund and other activities in the field of nutrition and education.

CSR award Reputation Institute

In addition to awards and distinctions, its efforts in the field of CSR also contribute towards FrieslandCampina's reputation. For the second year in succession FrieslandCampina ended in second place in the Reputation Institute's annual reputation survey. The survey measured which of 30 companies had the best reputation with the

general public. As far as the CSR ranking was concerned, which for the first time was included in the survey, FrieslandCampina ended in first place and received a special CSR award.

Best social image

According to the Motivaction research bureau's 2013 Social Image Monitor, FrieslandCampina is the most appreciated company. The annual social image survey checks how the Dutch view the sincerity of Dutch companies' social initiatives. FrieslandCampina was closely followed by Menzis, Rabobank, Philips and Eneco.

Best employer in the livestock sector

According to a survey carried out by agricultural market research bureau Geelen Consultancy on behalf of V-focus - the professional magazine for advisors and managers in the livestock sectors - college graduates working in the livestock sectors consider FrieslandCampina to be the most attractive employer. Agrifirm and Wageningen University and Research Centre were awarded the second and third prizes respectively on 18 September 2013.

Transparent CSR

Every year FrieslandCampina's CSR Report is included in the Dutch Ministry of Economic Affairs' Transparency Benchmark. The benchmark measures the degree of transparency in the social reporting of the largest Dutch companies. In 2013 FrieslandCampina scored 174 points out of 200 (2012: 169 points). The transparency of the reporting over 2014 has been improved further by the inclusion of the KPIs.

Presentation of the Philips Innovation Award

In 2013 FrieslandCampina itself presented an award. During the final of the Philips Innovation Award, Suryojal - an alliance of international students - received the FrieslandCampina Sustainability Award. The students were presented with a cheque for 2500 euro by Frank van Ooijen, Corporate Director Communication & Sustainability. Suryojal is Hindi for 'water from the sun' and that is exactly what the students tried to achieve with technology. With the help of solar energy the students generated green energy and distilled the water into drinking water quality. FrieslandCampina sponsored the Philips Innovation Award for the first time. Frank van Ooijen, Corporate Director Sustainability: "Good ideas in the field of nutrition and health are vital for the future. We need innovation in order to be able to be sustainable."

The foundations: safeguarding the CSR policy

Providing people around the world with the right nutrition is the challenge. The rapid growth of the world population will have a major impact on the availability of food and raw materials. Milk is by nature a source of essential nutrients such as proteins, vitamins B2 and B12 and minerals such as calcium. By offering trustworthy and tasty dairy products FrieslandCampina contributes towards safeguarding food and nutrient security.

CSR strategy house

FrieslandCampina's integrated CSR strategy consists of various elements that together form the CSR strategy house. The strategy house centres on four priority areas:

- Nutrition & health
- Efficient and sustainable production chains
- Dairy development in Asia and Africa
- Sustainable dairy farming (member dairy farmers in the Netherlands, Belgium and Germany)

The foundations of the strategy house embed the CSR policy within FrieslandCampina:

- An organisation comprising the CSR Governance Board, the CSR coordination team and four steering groups to oversee the four priority areas. They are jointly responsible for the implementation of the CSR policy;
- Involvement of stakeholders;
- A policy with goals for 2020 safeguarded by the international CSR guideline ISO 26000. The aim is the optimum involvement of employees and member dairy farmers in operating sustainably;
- A body of agreements, commitments, codes of conduct, policy documents, covenants, reports and certifications that embed CSR and sustainability within FrieslandCampina.



Governance and implementation

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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;
- Drawing up policy on the environment and health & safety;
- Coordinating the implementation of the CSR policy and facilitating implementation;
- Communicating the CSR policy to external stakeholders.

At the end of 2009 FrieslandCampina set up a Corporate Social Responsibility (CSR) Board. The CSR Board gives substance to the CSR strategy.

- Cees 't Hart, CEO and Chairman
- Thom Albers, Director Cooperative Affairs
- Bas van den Berg, Managing Director FrieslandCampina Branded Netherlands/Belgium
- William van den Bremer, S&OP Manager Whey Valorisation & Allocation
- Werner Buck, Corporate Director Public & Quality Affairs
- Irene Kamp, Project Manager Senior Nutrition
- Aafke Keizer, Corporate Director Strategy
- Frank van Ooijen, Corporate Director Communication, Sustainability Affairs and FrieslandCampina Institute
- Jaap Petraeus, Manager Corporate Environment & Sustainability
- Franc Reefman, Corporate Director Global Marketing
- Jaap de Vries, Corporate Director Human Resources
- Tanja Walther, International Marketing Manager Daily Nutrition
- Erwin Wunnekink - Member of the Board of Zuivelcoöperatie FrieslandCampina (the Cooperative)

Together with the CSR Board, the Corporate Sustainability Department is responsible for providing information on the progress of the CSR policy. The department gathers the information regarding the progress of the formulated KPIs and then 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.

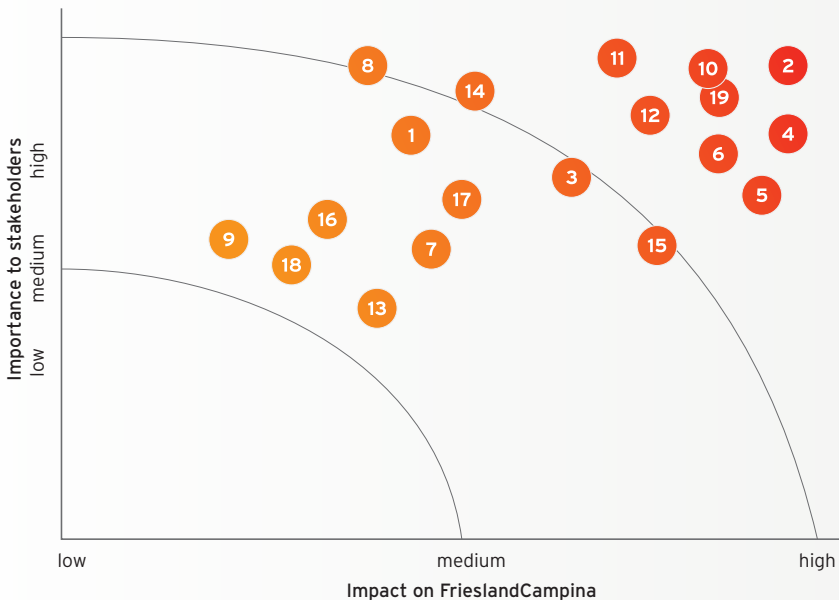
FrieslandCampina has formulated concrete goals for 2020 for every priority area and, on the basis of these goals, developed action plans for the coming years.

Consolidating and deepening the CSR policy

FrieslandCampina is aiming to integrate the essential CSR data into its annual financial report in 2015 and by so doing obtain external verification of this CSR data. Towards this end, in 2012 the analysis of the relevance of the CSR policy was updated. On the basis of 17 surveys, publications and websites the most relevant social issues were identified in the form of a long list. FrieslandCampina then gave various social issues priority for the Company and drew up a short list. These are the most important themes that are relevant in the sector, within FrieslandCampina or among its stakeholders, on the basis of the documentation. The analysis contributes towards the relevance and completeness of the CSR Report and makes it clear whether FrieslandCampina’s CSR policy needs to be tightened.

On the basis of the recommendations resulting from the analysis, the CSR Board, with the support of PricewaterhouseCoopers (PwC), is formulating key performance indicators (KPIs) for every priority area of the CSR policy. These KPIs support the monitoring of the goals for 2020. The next step is the further combination of the financial data gathering and the CSR data gathering. FrieslandCampina will focus on this in 2014.

The goals for 2020 formulated in 2011 are the basis of the KPIs. Some of the goals for 2020 have been tightened on the basis of the relevance analysis that was carried out.



- | | | | |
|------------------------------|--|---|-----------------------------------|
| 1. Animal Welfare | 6. Health & safety at work | 11. Protecting consumers health and safety | 16. Waste packaging and recycling |
| 2. Climate change mitigation | 7. Human development and training in the workplace | 12. Protection and restoration of the natural environment | 17. Water management |
| 3. Employment creation | 8. Land use of cattle/ feed/ fuel | 13. Sustainable product innovation | 18. Wealth and income creation |
| 4. Good governance | 9. Minimizing toxicity | 14. Sustainable resource use | 19. Undernourishment |
| 5. Grazing | 10. Overweight & obesity | 15. Sustainable supply chain | |

Nutrition & health	Efficient and sustainable production chains	Dairy development in Asia and Africa	Sustainable dairy farming (in the Netherlands, Belgium and Germany)
 <p>Reduce the sugar, salt and fat in FrieslandCampina products</p>	 <p>Achievement of climate-neutral growth between 2010 and 2020 by achieving at least 2 percent improvement of energy efficiency a year</p> <p>At least 2 percent a year improvement of water and waste (water) efficiency</p>	 <p>Raise the quality and food safety of locally produced milk in Asia and Africa</p>	 <p>Climate-neutral growth</p>
 <p>The development of a Company standard for labelling and consumer information</p>	 <p>100 percent use of green electricity generated in the Dutch agricultural sector in 2020</p>	 <p>Improve the income per farmer in Asia and Africa by raising the productivity per cow and thus contribute towards a better standard of living for local farmers</p>	 <p>Maintain the 2012 level of meadow grazing on 81 percent of the member dairy farmers' farms</p>
 <p>Reach 10 million children a year with effective information about a healthy diet</p>	 <p>All purchased (agricultural) raw materials come from fully sustainably managed sources</p>		 <p>Continuous improvement of animal health and welfare</p>
 <p>Offer help with combating malnutrition</p>			

FrieslandCampina highly values a good relationship and dialogue with all stakeholders. It provides more insight into social developments and of the relationship stakeholders have with FrieslandCampina. In this way FrieslandCampina wants to improve its business operations. The dialogue with stakeholders also plays a major role in FrieslandCampina's vision of chain management. Via contacts with stakeholders FrieslandCampina can convey its vision and learn what stakeholders expect from FrieslandCampina. FrieslandCampina strives to achieve a good balance between its performance and the expectations of member dairy farmers, consumers, employees, industrial customers, partners, (local) authorities and social organisations. Virtually all the stakeholder groups are involved in the elaboration of the CSR policy strategy.

More structure in the dialogue

In 2011 The Milk Story was established to give more structure to the stakeholder dialogue. This online and offline platform for dialogue is an initiative of FrieslandCampina and social communication bureau Het Portaal.

The Milk Story makes a constructive contribution towards the transition to a more sustainable future and focuses on four themes: nutrition and health, sustainability, culture and society and crossing borders. 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 contributions from stakeholders to learn from this and tighten up its CSR policy. For more information see www.themilkstory.nl.

The degree of stakeholder involvement with sustainability themes:

	Nutrition & health	Efficient and sustainable production chains	Dairy development in Asia and Africa	Sustainable dairy farming
Employees	●	●	●	●
Member dairy farmers	●	●		●
Customers	●	●		●
Consumers	●			●
Authorities	●	●	●	●
Suppliers		●	●	●
NGOs	●	●	●	●
Umbrella organisations	●	●	●	●

Agreements, commitments, covenants

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The extent of the stakeholder involvement in and influence over the CSR policy is shown in the following overview.

Stakeholder	Expectations	Form of dialogue	Role in CSR policy
Member dairy farmers	<ul style="list-style-type: none"> • Profitability • Acceptable fee for supplied milk • Reliable partner • Role in realisation of CSR objectives 	<ul style="list-style-type: none"> • Management information • Workshops • Special website • Magazine • Member meetings, district councils and member councils 	<ul style="list-style-type: none"> • Suppliers of high-quality, reliable raw materials • Securing social acceptance • Delivering important contribution to implementation of CSR policy • Co-responsible for attitude and behaviour towards FrieslandCampina
Customers	<ul style="list-style-type: none"> • Improved product range • Products that meet needs • Food safety, reliability 	<ul style="list-style-type: none"> • Consumer behaviour • Market research • Consumer service departments • Information via nutritional experts 	<ul style="list-style-type: none"> • Important customers • Influence purchase of products at acceptable prices
Employees	<ul style="list-style-type: none"> • Safe working environment • Attractive employment conditions • Career opportunities • Working atmosphere 	<ul style="list-style-type: none"> • Work meetings • Intranet, staff magazine • Training and education 	<ul style="list-style-type: none"> • Most important implementers of CSR policy
Industrial customers	<ul style="list-style-type: none"> • Maximum value growth • Sustainability of raw materials 	<ul style="list-style-type: none"> • Customer contacts • Trade fairs • Account management 	<ul style="list-style-type: none"> • Important customers • Influence on product quality and pricing
Authorities	<ul style="list-style-type: none"> • Cooperation in preservation • Wellbeing of national and local communities 	<ul style="list-style-type: none"> • Partner in various partnerships 	<ul style="list-style-type: none"> • Nature preservation partnerships • Cooperation in the development of dairy farming • Partner in the development of laws and regulations • Subsidies
Social organisations	<ul style="list-style-type: none"> • Wellbeing of communities and specific target groups • Sustainability of processes and products • Purchase sustainable raw materials 	<ul style="list-style-type: none"> • Partner in various partnerships 	<ul style="list-style-type: none"> • Exchange of knowledge, sharing of responsibility • Knowledge owner
Suppliers	<ul style="list-style-type: none"> • Value creation • Cooperation in preservation 	<ul style="list-style-type: none"> • Procurement • Regulations for suppliers • Internet, trade fairs 	<ul style="list-style-type: none"> • Part of the chain
Umbrella organisations	<ul style="list-style-type: none"> • Wellbeing of affiliated members 	<ul style="list-style-type: none"> • Partner in partnerships 	<ul style="list-style-type: none"> • Exchange of knowledge • Partner in regulations and covenants

The many ways in which FrieslandCampina gives substance to contact with stakeholders are described on the FrieslandCampina website. See www.frieslandcampina.com/sustainability for partnerships, covenants, agreements with (local) authorities and the sector and initiatives for a sustainable dairy sector. See also the appendix on 'External representation'.

Global Dairy Agenda for Action on Climate Change

The international dairy sector has launched various sustainability initiatives in recent years. One such initiative is the Global Dairy Agenda for Action on Climate Change. This agenda has been signed by large dairy organisations around the world, including the International Dairy Federation to which FrieslandCampina is affiliated via the Dutch Dairy Organisation (NZO), and the SAI Platform. The participants are actively pursuing research and knowledge-sharing with a view to achieving the further reduction of greenhouse gas emissions. As a result of the Global Dairy Agenda for Action on Climate Change the Dairy Sustainability Framework has been drawn up.

FrieslandCampina, together with other worldwide dairy companies, the Global Dairy Platform, the International Dairy Federation (IDF), the European Dairy Association and the SAI Platform (Sustainable Agricultural Initiative) has formulated an international approach for sustainable dairy. This approach was presented during the IDF's global congress in October 2013. The result - the Dairy Sustainability Framework - is a worldwide method for formulating the term "sustainable dairy". With the help of this framework international moves to make the dairy sector more sustainable will be stimulated.

Agreements with the authorities and sector

The environmental legislation of national and/or EU bodies and other stipulations and specific demands from different countries are the starting point for FrieslandCampina's approach. By means of covenants FrieslandCampina reaches multi-year agreements with the authorities and the sector to achieve improvements in the environmental field. These agreements can go further than the legal obligations.

Covenants

In the Netherlands FrieslandCampina is a signatory of the Meerjarenaafpraak energiebesparing (MJA-3 - the Multi-year Energy Efficiency Agreement) and the Convenant Schone en Zuinige Agrosectoren (Clean and Economical Agricultural Sectors Covenant). The goal of the MJA-3 is to improve energy efficiency by at least two percent per

annum, of which 1.5 percent at the production facilities and 0.5 through measures in the chain. Toward this end, FrieslandCampina draws up new environmental and energy goals every four years. Each facility then works out these goals in a Company Energy and Environment Plan. In 2012 all the Dutch facilities drew up a new plan for the coming four years and submitted it to the authorities. The licence-issuing authority evaluates the plan and monitors its implementation. In 2013 the plan was implemented further and led to improved energy efficiency at the facilities. The Clean and Economical Agricultural Sectors Covenant comprises a number of agreements that FrieslandCampina reached in the NZO context with the Dutch authorities. At the core of the Covenant are goals for energy saving and the generation of renewable energy. In Belgium FrieslandCampina is a participant in the Benchmarking Covenant and the Audit Covenant. Both Covenants contain ambitions for achieving efficient energy usage.

Making Dutch dairy farming more sustainable

The Dutch dairy sector has reached a number of agreements with the government and other parties in order to achieve sustainable production and sustainable dairy farming. These agreements include:

- Uitvoeringsagenda Duurzame Veehouderij (Implementation Agenda for Sustainable Dairy Farming);
- Actieprogramma Duurzame Zuivelketen (Action Programme Sustainable Dairy Chain);
- Convenant Weidegang (Meadow Grazing Covenant).

Implementation Agenda for Sustainable Dairy Farming

In May 2009 FrieslandCampina committed itself to the Implementation Agenda for Sustainable Dairy Farming via the NZO. This comprises six priorities: innovative cowshed and cattle raising systems, animal health and welfare, connection with society, energy and the environment, market and entrepreneurship, and responsible consumption. Within this Implementation Agenda FrieslandCampina works with, among others, Dierenbescherming (animal protection), Natuur & Milieu (nature and environment), LTO, Interprovincial Consultation, the Ministry of Economic Affairs and organisations from the meat processing industry.

Guidelines for safeguarding the CSR strategy house

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Action Programme Sustainable Dairy Chain

In July 2008 FrieslandCampina gave its backing to the ambitions of the NZO and LTO, as stated in the Action Programme Sustainable Dairy Chain. These ambitions have been developed into four themes:

- Energy and climate: reduction of greenhouse gasses, energy neutral production of the dairy chain;
- Animal health and welfare: encouraging meadow grazing and improving the health and welfare of dairy cows;
- Biodiversity and environment: careful assimilation of existing farming operations and new developments into the natural surroundings of the dairy farm and responsible cultivation of animal feed crops;
- Meadow grazing: initiatives to maintain the current level of meadow grazing.

Convenant Weidegang (Meadow Grazing Covenant)

In 2012 FrieslandCampina was one of the 54 signatories of the Meadow Grazing Covenant. The initiative for the Covenant was taken by the Sustainable Dairy Chain. The signatories of the Covenant undertake to offer cows meadow grazing opportunities and see it as their joint responsibility to at least maintain dairy farms with meadow grazing at the current level. The Covenant states that cows grazing in the meadow is a key characteristic of the Dutch landscape.

Animal Health Monitor

To monitor the health of cows, FrieslandCampina uses the ContinueDiergezondheidsMonitor (CDM - Continuous Animal Health Monitor), which is a component of FrieslandCampina's Foqus planet quality system. Monitoring is based on information regarding the health of animals. CDM was developed together with dairy farmers and animal health experts and provides dairy farmers with a great deal of practical information for monitoring animal health. Currently over 5,100 FrieslandCampina dairy farmers are using CDM.

ISO 26000 standard with external evaluation

FrieslandCampina's CSR policy is based on the ISO 26000 guideline. ISO 26000 is an international CSR standard: an instrument to assist businesses and other organisations with the implementation of CSR. The implementation of the ISO 26000 criteria on the basis of a self-declaration underwent an external evaluation by Lloyds Register. Lloyds has confirmed the correct implementation of ISO 26000. The ISO 26000 standard was introduced for all FrieslandCampina companies. The self declaration and the assessment matrix are available to the public on the FrieslandCampina website: www.frieslandcampina.com/sustainability.

Code of conduct

To promote correct and ethical conduct among its employees, FrieslandCampina revised its Code of Conduct in 2010 and 2011. 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.

In 2012 employees in the top of the FrieslandCampina organisation went through a programme to check whether they have sufficient knowledge of the Code of Conduct and prospects for action. All Managing Directors and Corporate Directors also signed a compliance statement confirming their endorsement of the Code of Conduct. The Executive Board is responsible for ensuring that all employees understand the Code of Conduct. 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 2013 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

To promote transparency and integrity FrieslandCampina operates a Whistle-blowers' regulation. FrieslandCampina encourages its employees to report any actions they suspect, or know, are in contravention of the Code of Conduct. The Regulation serves as a guideline for raising concerns and protects the whistle-blower from disciplinary

measures or unfair treatment. The Whistle-blowers' regulation was developed in 2009 and implemented in the course of 2010 and early 2011. All employees have been 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.

Food safety and quality

FrieslandCampina manufactures products at 64 production facilities around the world, with some products being manufactured at more than one facility. The consumer must always be able to depend on the same high levels of safety and quality, irrespective of the place of manufacture. Food safety and food quality have, therefore, the highest priority at FrieslandCampina.

Foqus Food Safety & Quality

FrieslandCampina safeguards food safety and food quality with Foqus Food Safety & Quality (FS&Q), a broad-based quality system that assures the operations both at the member dairy farms and at 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 2013 29 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/sustainability.

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. All FrieslandCampina companies are ISO 14001 and OHSAS 18001 certificated or have a declaration confirming that the environmental management system complies with the stipulations of ISO 14001.

Improvement programmes

FrieslandCampina has committed itself to the continuous improvement of the Company's performance and culture. To achieve this it works in a structured, methodical way on making the production facilities safer, more efficient and more sustainable. FrieslandCampina has opted for the WCOM (World Class Operations Management) system, which is based on the TPM (Total Productive Management) philosophy. The starting point of the TPM philosophy is that only through the involvement of the entire organisation can the productivity level be maintained and improved. WCOM comprises a great many methods and techniques with which improvements can be achieved in a systematic and structured manner. Working systematically not only improves the organisation's performance but also results in the development of the employees and, therefore, increases their long-term availability.

WCOM comprises a 'toolbox' of different methods with which improvement teams can work. The members of these teams include operators who are fully involved in the implementation of improvements. They help to resolve problems and adjust machinery settings for optimum efficiency. TPM has a different approach, but the same core objectives – reduced losses, less machine downtime and better results. In 2013 the first improvement projects in many facilities were completed successfully. In 2014 the programmes will be continued at the same pace.

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 baby and infant nutrition and complies with this code of conduct.

In *route2020* FrieslandCampina has stated its ambition is to expand to become a global paper 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.

An 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. In 2014 the programme will be a component of FrieslandCampina's training programme and a new round of audits of the FrieslandCampina Corporate Standard and Guideline will start.

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.



Training of marketing representatives

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 being further distributed to around 3,500 employees (including the employees of external bureaus and distributors) and implemented.

Royal FrieslandCampina at a glance

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11.4 billion euro revenue



21,186 employees



Facilities in **28** countries



Export to over **100** countries



19,244 member dairy farmers
own the Company

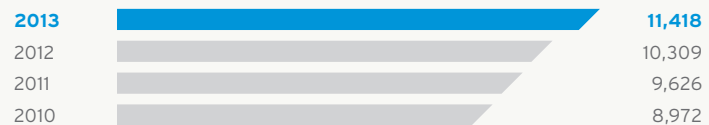


Millions of consumers every day

Revenue

up by **10.8** %

Revenue in millions of euros



Operating profit

313 million euro operating profit,
before goodwill impairment**513** million euro

Operating profit in millions of euros



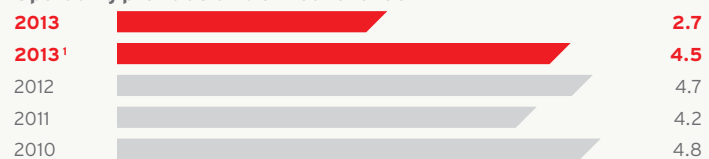
Operating profit as a % of net revenue

2.7%

before goodwill impairment

4.5%

Operating profit as a % of net revenue



Profit

157 million euro

without goodwill impairment

327 million euro

Profit in millions of euros



Cash flow from operating activities

596 million euro

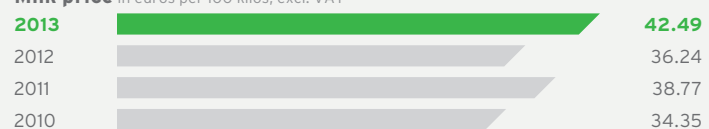
Cash flow from operating activities in millions of euros



Milk price for member dairy farmers

42.49 euro

Milk price in euros per 100 kilos, excl. VAT

¹ before goodwill impairment

Appendices

External Representation

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FrieslandCampina is a member of, or an active participant in, the following consultation bodies:

- ABA/Detic (Belgian Aerosol Association)
- APIYCNA (Asia Pacific Infant and Young Child Nutrition Association)
- APRIL (Romanian Dairy Association)
- Asosiasi Industri Pengolah Susu (AIPS) Indonesia
- Asosiasi Perusahaan Produk berNutrisi untuk Ibu dan Anak,
- APPNIA (Association of Indonesian Infant Food Manufacturers)
- Association for the Food Industries of Particular Nutritional Uses of the European Union (IDACE)
- Association of International Juice Manufacturers (AIJN)
- ATLA (French Dairy Association)
- Belgische Confederatie Zuivelindustrie (BCZ) (Belgian Dairy Industry Confederation)
- Centraal Orgaan Kwaliteitszorg Zuivel (COKZ) (Central Dairy Quality Board)
- Chinese Dairy Federation
- Choices International Foundation
- Codex Alimentarius Hungaricus Dairy Commission
- Dairy Campus
- Dutch Sustainable Growth Coalition (DSGC)
- Eigen Vervoerders Organisatie (EVO) (Transportation Owners' Association)
- EQCS (European Quality Control Systems for Juices, Nectars and Juice containing Soft drinks)
- EU Pledge
- Eucolait (European Association of Dairy trade)
- European Chamber of Commerce in Vietnam
- European Dairy Association (EDA)
- European Whey Producers Association (EWPA)
- Fachverband der Milchwirtschaftler in Niedersachsen und Sachsen-Anhalt e.V.
- Fachverband Westdeutscher Milchwirtschaftler e.V.
- Federatie Nederlandse Levensmiddelen Industrie (FNLI) (Dutch Food Industry Federation)
- Federation of Hungarian Food Industries
- Fenedex
- Fevia (Belgische Voedingsmiddelen Federatie) (Belgian Food Industry Federation)
- FMM (Federation of Malaysian Food Manufacturers)
- Food Industry Asia (FIA)
- Förderung der Milchwirtschaft NRW e.V.
- Forum Komunikasi Lintas Asosiasi (FORKAN)
- Gabungan Pengusaha Makanan Minuman Indonesia (GAPMMI)
- Gemeenschappelijk Zuivelsecretariaat (GEMZU) (umbrella organisation for the Dutch dairy industry)
- Global Dairy Platform (GDP)
- Hungarian Dairy Association
- Infant and Pediatric Nutrition Association of the Philippines (IPNAP)
- Initiatief Duurzame Handel (IDH) (Sustainable Trade Initiative)
- International Dairy Federation (IDF)
- International Infant Food Association (ISDI)
- International Farm Comparison Network (IFCN)
- International Life Science Institute (ILSI Europe)
- International Union for the Conservation of Nature (via Leaders for Nature) (IUCN)
- Land- en Tuinbouworganisatie (LTO) (Agriculture and Horticulture Organisation)
- Milch Industrie Verband (MIV) Duitsland (German Milk Industry Association)
- Milch-Verwertungs-GmbH NRW
- Milchprüfing Baden-Württemberg e.V.
- Milchwirtschaftlicher Verein Baden-Württemberg e.V.
- Molkerei-Fachberat NRW
- Nationale Coöperatieve Raad (NCR) (National Cooperative Council)
- Nederlands Nationaal Comité van de Internationale Zuivelbond (Dutch National Committee of the International Dairy Union)
- Nederlands Normalisatie Instituut (NEN) (Dutch Standardisation Institute)
- Nederlandse Vereniging Frisdranken, Waters en Sappen (FWS) (Dutch Soft-drinks, Waters and Juices Federation)
- Nederlandse Zuivel Organisatie (NZO) (Dutch Dairy Organisation)
- Nedvang
- Productschap voor Zuivel (PZ) (Dairy Product Commodity Board)
- Regulier Overleg Warenwet (ROW) (Regular Consultation Commodities Act)
- Rheinischer Landwirtschaft- Verband e.V.
- Round Table for Responsible Soy
- Round Table on Sustainable Palm Oil
- Russian Dairy Federation
- Sale of Infant Food Ethics Committee Singapore (SIFECs)
- SEPTÉ (Federation of Greek Baby Food Industries)
- SEVGAP (Federation of Greek Dairy Industries)
- SEVT (Federation of Greek Food Industries)
- Stichting Food Valley
- Stichting Ik Kies Bewust (Choices Foundation)
- Stichting RMO controle (Regional Organisation Management Foundation)
- Stuurgroep UTZ cacao (UTZ cocoa Steering Group)
- Sure Global Fair
- Sustainable Agriculture Initiative (SAI) Platform
- Task Force Duurzame Soja (Sustainable Soy Task Force)
- Top Institute Food and Nutrition (TIFN)

Glossary

- Verband Lebensmittel ohne Gentechnik
- Vereniging Nederlandse Fabrikanten Kinder- en Dieetvoeding (VNFKD) (Association of Dutch manufacturers of infant and diet food)
- Vereniging Energie, Milieu en Water (VEMW) (Energy, Environment and Water Association)
- VLM (Vereniging Logistiek Management) (Logistics Management Association)
- VNO-NCW (Confederation of Dutch Industry and Employers)
- World Cocoa Foundation

This list is not comprehensive.

Audit covenant

A covenant aimed at ensuring that as many Belgian industrial end-users of energy as possible are, and remain, front-runners in energy-efficiency in Belgium.

CDM

On-going Animal Health Monitor (CDM) 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)

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 (CSR).

Dutch Sustainable Growth Coalition

A cooperation between the most important Dutch companies.

FNLI

The Dutch Food Industry Federation is the umbrella organisation for companies and industry organisations in the Dutch food industry (food and non-food).

Foqus planet

Sustainability programme for dairy farming.

Foqus SHE

The FrieslandCampina environment and safety management programme.

FTE

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

GMO

Genetically Modified Organism.

GRI

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

GVO

Garantie van Oorsprong (Guarantee of Origin)

HACCP

Hazard Analysis and Critical Control Points is a food safety management system based on the analysis and control of biological, chemical and physical hazards associated with the production of raw materials and the purchasing, processing, production, distribution and consumption of the end product.

IDH

Initiatief Duurzame Handel (IDH) (Sustainable Trade Initiative). This Dutch organisation clusters strengths in the community and brings trend-setters from the business world, trade unions, environmental organisations, development organisations and the authorities together in coalitions that drive progress and improvement.

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), in which FrieslandCampina is an active contributor, was launched in the Netherlands in 2010. 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.

LTO

The Land- en Tuinbouw Organisatie (Agriculture and Horticulture Organisation) is a Dutch organisation for collective representation, individual services provision and group-oriented activities for Dutch agricultural entrepreneurs.

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 Governmental 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.

Uitvoeringsagenda Duurzame Veehouderij**(Implementation Agenda for Sustainable Dairy Farming)**

A cooperation between four agricultural umbrella organisations, two nature and environment organisations, a bank, the Dutch provinces and the Dutch State for sustainable and animal-friendly livestock farming.

Compilation of the Report and reliability of information

UTZ Certified

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

VNO-NCW

VNO-NCW is the largest business organisation in the Netherlands. The around 115,000 member companies and (branch) organisations represent 90 percent of the employment in the Dutch market sector.

WBCSD

The World Business Council for Sustainable Development is a worldwide organisation in the field of management and sustainability issues.

Meadow milk

Milk from cows that between spring and autumn are put out to pasture for at least 120 days a year, with a minimum of 6 hours a day

WHO

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

Environmental and work safety information

The production facilities in the Netherlands have been gathering environmental and work safety information for over a decade. This information is reported to the authorities as part of the Company's covenant agreements. The production facilities in Germany and Belgium have reported environmental information to the authorities since 2004. The production facilities in Russia, Thailand and the United States also report environmental information to the authorities. FrieslandCampina's central environmental data system forms the basis of the reporting. This system came into being after the merger when the databases of both companies were combined. A total of 64 production facilities are recorded in this database. The relevant data for 2013 was reported by all 64 production facilities. In 2013 further improvements to the environmental and work safety registration and reporting system were implemented. The objective is more accurate data gathering. Work on improving the system will be carried out before independent verification of the data gathering is sought.

Personnel information

The number of FTEs is based on information from the financial systems. The information regarding absenteeism due to illness and diversity (age, sex, region) is requested and collected separately. The reported information covers 98 percent of the workforce. Further improvements to the personnel registration and reporting systems will be implemented in the coming years and will result in more accurate data gathering.

Annual CSR Report

In its annual CSR Report FrieslandCampina explains its strategy, policy and progress in the field of CSR. The use of quantitative data enables the increasingly accurate monitoring of trends and thus provides valuable input for managing the CSR policy. The information also makes it possible to evaluate the performance on each CSR theme. The collection of data in various fields started in 2010. The number of goals was increased further in 2011. In 2013 FrieslandCampina has started to develop key performance indicators (KPIs) which give support and direction to the goals 2020.

FrieslandCampina compiles its CSR Report in accordance with the GRI G3 guidelines and the criteria of the Transparency Benchmark of the Ministry of Economic Affairs and thus fulfils the information requirements of its stakeholders. Both instruments came into being through an extensive process of consultation with the business world, social organisations and various bodies from all over the world. The CSR Report and corresponding GRI index can be found on www.frieslandcampina.com. More information about the GRI guidelines is available on www.globalreporting.org.



Every day Royal FrieslandCampina provides millions of consumers all over the world with dairy products containing valuable nutrients. With annual revenue of 11.4 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 28 countries and employs a total of 21,186 people. FrieslandCampina's products find their way to more than 100 countries. The Company's central office is in Amersfoort. 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 19,244 member dairy farmers in the Netherlands, Germany and Belgium is one of the world's largest dairy cooperatives.

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