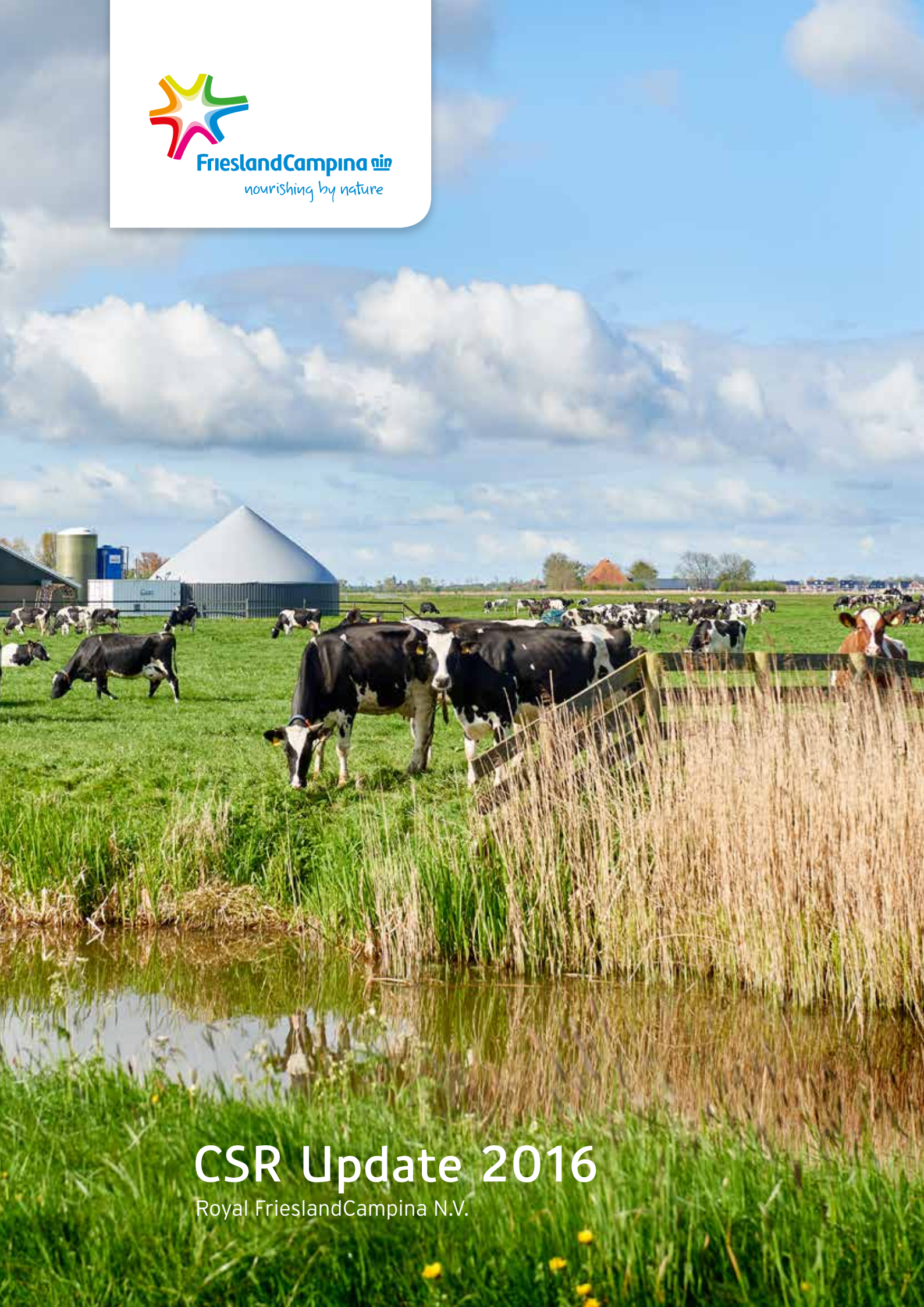




FrieslandCampina nir
nourishing by nature



CSR Update 2016

Royal FrieslandCampina N.V.

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This CSR report provides an insight into the CSR strategy, initiatives and performance of FrieslandCampina in 2016. It also ensures FrieslandCampina's compliance with the technical requirements of the G4 guidelines of the Global Reporting Initiative (GRI).

A word from the CEO

Commercial livestock farmers passing on their farms from generation to generation have been at the basis of FrieslandCampina for 146 years. Based on their membership of Zuivelcoöperatie FrieslandCampina U.A., they are the owners of Royal FrieslandCampina N.V. With our dairy products and the knowledge within our dairy chain regarding efficient and sustainable dairy production, we contribute to sustainably feeding the growing world population.

Nourishing by nature

Dutch dairy is famous in many countries in the world. And noblesse oblige. Product quality, safety and sustainability are a central focus in our *route2020* strategy. In 2016, we updated the FrieslandCampina *route2020* strategy with *nourishing by nature* as its guideline: better nutrition for the world's consumers, a good living for our farmers, now and for the generations to come. *Nourishing by nature* provided clear direction to our activities in its first year.

The Sustainable Development Goals of the United Nations have created the context in which countries and businesses can contribute to a future that is fairer and more sustainable. FrieslandCampina supports these ambitious objectives. The Sustainable Developments Goals most relevant for FrieslandCampina have been indicated next to the description of the strategic principles.

Climate-neutral growth requires steps

Positive steps have been taken relating to sustainability in 2016, but not yet all objectives are being realised. All FrieslandCampina consumer products have been assessed on the basis of the refined FrieslandCampina Global Nutritional Standards. More products have been selected for which the sugar, salt and calorific contents will be reduced over the coming years. Newly developed consumer products must meet the nutritional criteria. This enables FrieslandCampina to offer better products.

Seventy-eight percent of FrieslandCampina's electric power consumption was derived from renewable sources. Still, in particular reducing the emission of greenhouse gases requires attention in order to be able to realise the climate-neutral growth objective. This is why FrieslandCampina in 2016 undertook various measures, including the creation of the Jumpstart Cooperative, an initiative relating to mono manure fermentation. Manure fermentation contributes to reducing the emission of greenhouse gases, including



methane. FrieslandCampina guarantees that it will purchase the green energy generated by participating member dairy farmers of Zuivelcoöperatie FrieslandCampina U.A. This contributes to a more circular economy.

Biodiversity is also a key point of attention as it clearly adds value for the dairy farmers and influence the whole value chain. For this reason, FrieslandCampina, Rabobank and the World Wide Fund for Nature (WWF) have expressed the joint ambition of restoring biodiversity in agriculture.

In the interest of the members, consumers and society

Even better exploiting and providing insight into the nutritional value of our dairy products, combined with further sustainability of the production chain, form the basis for the successful valorisation of the milk of our member dairy farmers. We are working very hard to achieve this within FrieslandCampina and also in partnerships such as *Duurzame Zuivelketen* (Sustainable Dairy Chain) and other partners. This is in the interest of our member dairy farms, consumers and society. This is how we specify *nourishing by nature*.

Roelof Joosten
Chief Executive Officer
Royal FrieslandCampina N.V.

Amersfoort (Netherlands), 2 May 2017

Key figures

 **2.75 GJ**

energy consumption
per tonne of end product +3.4%

 **4.48 m³**

water consumption
per tonne of product -2.4%

 **78%**

green electricity in production facilities
+13 percentage points

 **925 kton**

emission of CO₂ equivalents
production and transport -4.0%

 **71%**

reusing waste +1 percentage point

 **43%**

procurement of (agricultural) raw
materials from sustainably managed
source +17 percentage points

 **18,752**

farmers trained via local
Dairy Development Programmes

 **0.12**

accidents resulting in sick leave
per 200,000 hours worked -50%

 **78.2%**

member dairy farms with pasture
grazing +0.3 percentage points

 **70%**

of the member dairy farmers maintained
a *Foqus planet* energy scan

Table 1. Key figures

Indicators ^{1, 2}	Unit	2016	2015	Δ%
Economic				
Revenue	in millions of euros	11,001	11,210	-1.9
Profit	in millions of euros	362	343	5.5
Value creation	in euros per 100 kg milk	3.44	3.53	-2.5
Milk price for member dairy farmers	in euros per 100 kg milk	32.26	34.64	-6.9
Environment				
Energy consumption ♦	in GJ/tonne end product	2.75	2.66 ³	3.4
Water consumption ♦	in m ³ /tonne end product	4.48	4.59	-2.4
Share of sustainable agricultural raw materials ♦	as a % of the total	43	26	
Green electricity ♦	as a % of the total	78	65	
Greenhouse gas emission procurement of milk, milk powder, whey (from third parties) ♦	kt CO ₂ equivalent	4,764	4,670	2.0
Greenhouse gas emission production and transport ♦	kt CO ₂ equivalent	925	964 ³	-4.0
Production facilities FSSC 22000 certified ♦	as a % of the total	88		
Employees				
Employees	average number of FTEs	21,927	22,049	-0.6
Number of accidents resulting in sick leave ♦	number per 200,000 hours worked	0.12	0.24	-50.0
Member dairy farmers ⁴				
Member dairy farms	number at year-end	13,300	13,542	-1.8
Milk supplied by member dairy farmers	millions of kg	10,774	10,060	7.1
Pasture grazing ♦	% member dairy farms in the Netherlands applying a form of pasture grazing	78.2	77.9	
Share RTRS-certified soy ♦	in concentrated feed for cows as a % of the total	100	100	
Greenhouse gas emission farms ♦	kt CO ₂ equivalent	13,206	12,501	5.6

¹ See Appendix 4, Glossary and reporting definitions, for the definitions of the indicators.

² The indicators that fall within the scope of assurance of the auditor are marked with the ♦ symbol. See Appendix 3, Assurance report of the independent auditor, for details. The economic indicators are part of the yearly external audit of the financial statements. Please refer to the 2016 Annual Report of Royal FrieslandCampina N.V.

³ The calculation method for these indicators was updated in 2016. The relevant historical statistics were revised for this reason.

⁴ Concerning Zuivelcoöperatie FrieslandCampina U.A.

Key CSR developments 2016



Better nutrition

Preparing of and compliance with FrieslandCampina Global Nutritional Standards

Further reduction of added sugar and salt in consumer products

Education about healthy lifestyle



A good living for our farmers

Value creation for member dairy farmers
3.44 euros per 100 kg of milk

18,752 farmers trained in Indonesia, Vietnam, Thailand, Malaysia, China, Nigeria and Romania

Memorandum of Understanding signed with Nigerian Ministry of Agriculture to start up the Farmer2Farmer programme in Nigeria

Start Young Farmer Academy and *Sustainable Manure Management* project in Indonesia

Partnerships in Sino-Dutch Dairy Development Centre expanded to ten partners and a new agreement on expanding activities in the period 2017-2019



Now and for generations to come

Energy consumption +3.4%

Water consumption -2.4%

Greenhouse gas emission production and transport -4.0%

Greenhouse gas emission procurement of milk, whey and milk powder +2.0%

Greenhouse gas emission at the farm +5.6% ¹

Pasture grazing 78.2% (+0.3 percentage point) ¹

FrieslandCampina Ingredients in Borculo uses pyrolysis oil and biogas

Generating sustainable energy from manure at dairy farms via Jumpstart cooperative

Sector-wide phosphate reduction measures ¹

¹ Concerning Zuivelcoöperatie FrieslandCampina U.A.



Collaboration

Green Schuldschein 300 millions of euros for financing sustainability projects

Signing partnership International Dairy Federation (IDF) and FAO relating to resolving undernourishment, sustainability in the chain and support to small farmers

The FrieslandCampina *route2020* strategy and the *nourishing by nature* sustainability policy are in line with the Sustainable Development Goals of the United Nations

Dutch Lady Vietnam is building the 20th school in Vietnam in the context of Dền Dom Dóm

Collaboration with the Netherlands Red Cross renewed by a three-year period

Collaboration with Jr. NBA for healthy youths in South-East Asia

Providing dairy drinks specifically to food banks in the Netherlands

Compass Code of good business conduct

route2020 strategy: sustainable growth and value creation

nourishing by nature

Better nutrition, a good living for our farmers, now and for generations to come



Providing the growing world population with the right nutrients is the key challenge in the coming decades. By offering trustworthy, relevant and nourishing dairy products, FrieslandCampina is contributing towards safeguarding food and nutrient security. FrieslandCampina's purpose – *nourishing by nature* – stands for better nutrition for the world's consumers, a good living for our farmers, now and for generations to come.

Purpose

nourishing by nature

Better nutrition

The global population is expected to grow from 7.4 billion people in 2015 to 8.5 billion people in 2030 and more than 9.7 billion people in 2050. This, together with the increase in wealth, will result in an increased demand for food. With its dairy products FrieslandCampina can contribute towards feeding the world's population. FrieslandCampina will focus on improving its products' recipes and on ensuring dairy products remain affordable and thus relevant for all income groups. This is in line with the United Nations' Sustainable Development Goals: 'good nutrition and sustainable food production' (SDG 2, 3).

A good living for our farmers

FrieslandCampina's goal is to add as much value as possible to the milk to be able to make the maximum contribution towards the incomes and continuity of many generations of dairy farmers. FrieslandCampina strives to pay out one of the highest milk prices in Northwest Europe. By doing so FrieslandCampina remains an attractive company for the member dairy farmers. In a number of countries in Asia, Africa and Eastern Europe FrieslandCampina offers local dairy farmers assistance with improving their farm management and milk quality. This is in line with the Sustainable Development Goal: 'Decent work and economic growth' (SDG 8).





Aspiration

Now and for generations to come

FrieslandCampina focuses on future generations. This is why FrieslandCampina invests in sustainable long-term growth and in the financial health of the Company and the Cooperative. The aim is to achieve climate-neutral growth and reduce the use of scarce natural resources such as water, raw materials and fossil fuels. This is in line with the Sustainable Development Goals: 'Affordable and clean energy' (SDG 7) and 'Responsible consumption and production' (SDG 12).

FrieslandCampina's long-term aspirations are:

- to achieve around **5%** annual volume growth up to 2020 in the selected priority product-market combinations;
- to efficiently process and valorise around **10** billion kilos of milk from the member dairy farmers;
- to grow to **15** billion euros in revenue in 2020;
- to be financially healthy and in harmony with nature and society in the short term and in **20** years' time in order to also create value for the following generations of dairy farmers.



Leverage the Dutch dairy heritage and unique milk chain in a sustainable way



Expand the leading positions in growth areas



Protect the volumes in home markets

Leverage the dairy heritage: from grass to glass

During its 140 years' history FrieslandCampina has built up strong market and brand positions based on recognisable brands and differentiating quality. The unique Dutch milk chain is a valuable tool for continuing to bind customers and consumers to FrieslandCampina's products and brands. Frisian Flag, Dutch Lady, Peak, Campina, Chocomel and Frico are examples of brands that have existed for generations. FrieslandCampina wants to increase worldwide consumer demand for Dutch dairy products, including through the *from grass to glass* concept and by investing even more in the appeal of Dutch dairy, in part by keeping cows visible in the Dutch landscape.

Generate the maximum value from milk

FrieslandCampina aims to generate more value from the milk supplied by focusing on combinations of main products and by-products that deliver the most value. This requires more effort over the coming years, aimed at improving the result from the least profitable billions of kilos of milk.

To remain attractive to both customers and consumers, FrieslandCampina must offer high-quality, safe and sustainable products. The production and processing of raw milk must therefore continue to meet the increasing demands of both the market and society in terms of quality, safety, sustainability and transparency.



Build future markets

Highly engaged, capable people
in effective collaboration

Focus on those markets that generate the highest growth, profit and valorisation of member milk

In the *route2020* strategy choices have been made in order to utilise capital, production capacity and employees in such a way that long-term and sustainable value is created for the member dairy farmers and society.

FrieslandCampina is active in many markets with a wide range of products. Every market situation is different and FrieslandCampina will focus on a limited number of specific product-market combinations. The selection of product-market combinations is based on the following key factors:

- market growth: expected growth of the market in combination with FrieslandCampina's ability to grow in this market;
- profitability: the possibility of achieving profit in the product-market combination;
- member milk valorisation: the degree to which the product contributes towards the processing of member milk while also generating profit.

Based on the above criteria, three groups of product-market combinations have been selected on which FrieslandCampina will focus:

- expanding leading positions in growth markets;
- protecting the volume in the home markets;
- developing future markets.

Highly engaged, capable people in effective collaboration

FrieslandCampina has highly engaged and capable employees. They are the foundation of FrieslandCampina's success. Worldwide there is a strong feeling of mutual involvement. Considerable attention is being paid to the continuous improvement of skills and ways of working. The primary aim of the strategy is to optimise sales processes for success in the market, the efficiency of processes and the way of working. A number of focal areas are important for the successful roll-out of the updated *route2020* strategy:

- improving the capabilities that are key for market success, including through innovation, commercial performance and further digitalisation;
- reducing costs to enable investments in growth, for example through supply chain and overhead efficiencies;
- AAA (Alignment, Accountability and Action): ensuring all employees think and act in accordance with the AAA concept, in which proactive coordination, clear responsibilities and fast and result-oriented action are key;
- continuously working on improving the quality of the products and the safety of the employees;
- ensuring good business conduct in line with the *Compass* code of conduct, based on the principles of integrity, respect and transparency.

Global challenges and opportunities

Providing the growing world population with the right nutrients is the key challenge in the coming decades for the international food sector. Milk naturally contains essential nutrients, such as proteins, vitamins B2 and B12, and minerals such as calcium. By offering trustworthy, relevant and nourishing dairy products, FrieslandCampina is contributing

towards safeguarding food and nutrient security. In this context, FrieslandCampina aims to reduce the pressure on natural resources and the environment. FrieslandCampina's purpose - *nourishing by nature* - stands for better nutrition for the world's consumers, a good living for our farmers, now and for the generations to come.

The growing world population

Feeding the growing world population

The availability of sufficiently nutritious and energy-rich food and the affordability of food for broad population groups

Preservation of food safety and consumer confidence

Sufficient farmers to grow the food

Interesting young people for the farming life by offering future perspectives, responding to the quick aging process worldwide in the farmer population

Farmers must be able to realise a sufficiently high income for responsible business management and creating a positive future for both themselves and their children

Worldwide, 750 to 900 million people depend on dairy farming for their income

Scarcity of natural resources

Responding to increasing scarcity of land, water and other natural resources based on more efficient production

Reducing the greenhouse gas emissions and making more use of renewable energy

Contribution to the preservation of biodiversity

The Sustainable Development Goals of the United Nations

The United Nations have formulated Sustainable Development Goals (SDGs): 17 ambitious goals relating to topics such as responsible production and consumption, climate, sustainable communities, health and well-being and efforts to fight poverty and starvation. These development goals have been endorsed by 193 countries and give governments and the business sector a roadmap for a fairer and more sustainable future. The FrieslandCampina *route2020* strategy and the *nourishing by nature* sustainability policy are in line with the Sustainable Development Goals of the United Nations. The Sustainable Development Goals most relevant for FrieslandCampina have been indicated next to the description of the strategic principles.

Dairy Declaration of Rotterdam

In Rotterdam, the Dairy Declaration of Rotterdam was signed during the World Dairy Summit in October 2016. This Declaration was prepared by the International Dairy Federation and the Food and Agriculture Organization (FAO). This Declaration recognises the key role of dairy relating to food safety, improving development options and the living conditions of family farms, small farmers and livestock farmers. Additionally, it indicates that the dairy sector has an important role to play in achieving the Sustainable Development Goals.

Figure 1. Sustainable Development Goals of the United Nations



FrieslandCampina's contribution

SDG 2

"End hunger, achieve food security and improved nutrition, and promote sustainable agriculture"

SDG 3

"Ensure healthy lives and promote well-being for all at all ages"

SDG 7

"Ensure access to affordable, reliable, sustainable and modern energy for all"

SDG 8

"Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all"

SDG 12

"Ensure sustainable consumption and production patterns"

SDG 17

"Strengthen the means of implementation and revitalize the global partnership for sustainable development"

Circularity in the dairy farming sector

FrieslandCampina is one of the initiators of applying circular thinking and acting in the dairy chain. Circular economy is a relatively new term based on the concept of reusing raw materials, components and parts at the highest-end level possible, minimising value destruction. At the platform of the World Dairy Summit in Rotterdam in October 2016, FrieslandCampina and Circle Economy jointly published a discussion document detailing the opportunities of actually achieving the necessary sustainability level in the dairy sector.

Traditionally, the dairy farming sector tends to fully apply circular methods. Manure from cattle delivers nutrients through soil processes, allowing farmers to grow crops to be used as food for humans and animals. This allows for using marginal soil to be used to feed both humans and animals. The dairy chain also fully uses and reuses product flows, including whey and other product flows.

A sustainable dairy chain can be successful only if companies in various sectors consider the production chain as a whole, allowing for creating new partnerships and business models that can be considered new.

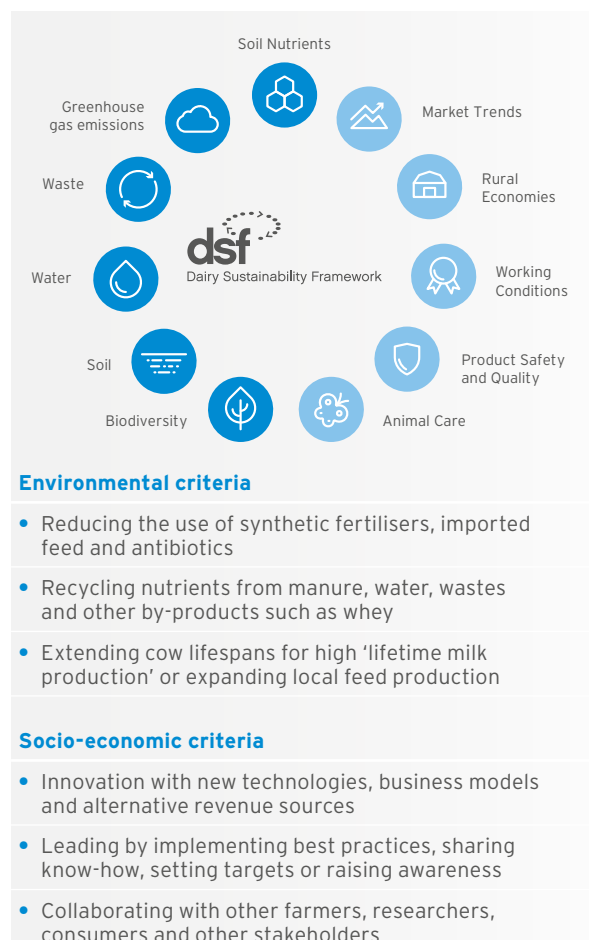
In 2016, the Jumpstart cooperative was founded for mono-manure fermentation in farms. Manure fermentation contributes to reducing the emission of greenhouse gases, including methane. FrieslandCampina worked closely with other parties, such as *Groen Gas Nederland*, *Duurzame Zuivelketen* (Sustainable Dairy Chain), LTO (Dutch Federation of Agricultural and Horticultural Organizations) and NZO (Dutch Dairy Association). FrieslandCampina guarantees that it will purchase the green energy generated by participating member dairy farms. In addition, FrieslandCampina pays each participating member 10 euros per tonne of CO₂ reduction. In October 2016, the first prototype was put into use. The Dutch Ministry of Economic Affairs has allocated a maximum subsidy of 150 million euros in the context of the Renewable Energy Production Incentive Scheme (SDE+).

Dairy Sustainability Framework

A great example of circular thinking is the Dairy Sustainability Framework launched in 2013. The Dairy Sustainability Framework sets out sustainability themes. Six of these themes concern environmental aspects and five concern socio-economic factors.

Various elements of the Dairy Sustainability Framework are embedded into FrieslandCampina's sustainability programme *nourishing by nature* and the quality and sustainability programme *Foqus planet* for the member dairy farmers of Zuivelcoöperatie FrieslandCampina U.A. The 2016 performance is reported in the section Performance of this report.

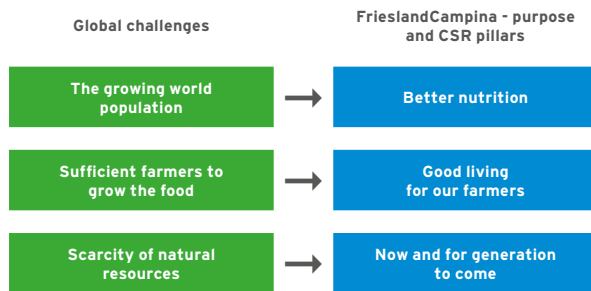
Figure 2: Dairy Sustainability Framework



CSR strategy *nourishing by nature*

The three identified global challenges form the basis of the CSR strategy together with the principles of the *route2020* strategy. This is subdivided into three pillars that provide direction to embedding the strategy in the organisation.

Figure 3. Strategic pillars are derived from three global challenges



For each of these CSR pillars, FrieslandCampina determined CSR themes with linked performance indicators. This CSR Update is set out in accordance with these strategic pillars and the underlying CSR themes. See figure 4 for the CSR strategy.

With its CSR strategy, FrieslandCampina aims for better nutrition, a good living for our farmers, now and for the generations to come. The full integration of the CSR strategy into FrieslandCampina's strategy of sustainable growth and value creation offers an insight into how CSR themes contribute to the general business objectives. Performance indicators have been defined for each CSR theme to allow for monitoring progress.

Figure 4. CSR strategy



¹ Concerning Zuivelcoöperatie FrieslandCampina U.A.

The value chain

FrieslandCampina aims to create value for both the direct stakeholders and society as a whole. In 2016, FrieslandCampina updated its sustainable value creation process (see figure 3). This aims to offer insight into the broader context of FrieslandCampina's operations. Trends and developments in the environment and the risks and opportunities are part of FrieslandCampina's strategic CSR agenda. The business model is aimed at converting raw materials (including milk, power and water) into products that offer value to consumers. Simultaneously, this creates value for the member dairy farmers.

The Company, Royal FrieslandCampina N.V., is fully owned by Zuivelcoöperatie FrieslandCampina U.A., with the dairy farmers as members. It is FrieslandCampina's responsibility to process the milk of the member dairy farmers and sell it at a price that also creates value in a sustainable way over the long term for member dairy farmers and society. Every day FrieslandCampina provides millions of consumers all over the world with dairy products that are rich in valuable nutrients from milk. The quality of each step in the chain is a determining factor for the success of the entire chain and therefore for FrieslandCampina's success. The control FrieslandCampina has over this entire chain - from grass to glass - gives it a strong starting point. Making the nutrients in milk even more accessible is the basis for the successful valorisation of the milk. FrieslandCampina is committed to climate-neutral growth by keeping greenhouse gas emissions in 2020 equal to or lower in comparison to 2010.

FrieslandCampina invests in consumer awareness of a healthy lifestyle by providing information on food and exercise. This is based on collaboration with other parties in partnerships. FrieslandCampina has set increasingly high standards in terms of sustainability and origin in the procurement of raw materials. This way, FrieslandCampina creates both financial and non-financial value throughout the chain.

Transferring knowledge and creating awareness

FrieslandCampina is committed to increasing awareness and knowledge of the value chain. FrieslandCampina advises and supports the member dairy farmers relating to milk quality and sustainability initiatives based on *Fokus planet*. Examples include promoting pasture grazing and aiming for longer life of dairy cows. The options for better implementation of manure fermentation are currently explored.

The FrieslandCampina Institute offers nutrition and health professionals information on dairy, food and health based on scientific insights. This is achieved in various countries and via various communication channels, including the www.frieslandcampinainstitute.com website. In 2016, the FrieslandCampina Institute organised the accredited congress 'What's learnt in the cradle lasts till the tomb': new guidelines Good Food and the Five Main Food Groups. Over 300 youth healthcare professionals were informed regarding the updated food guidelines in the Netherlands.

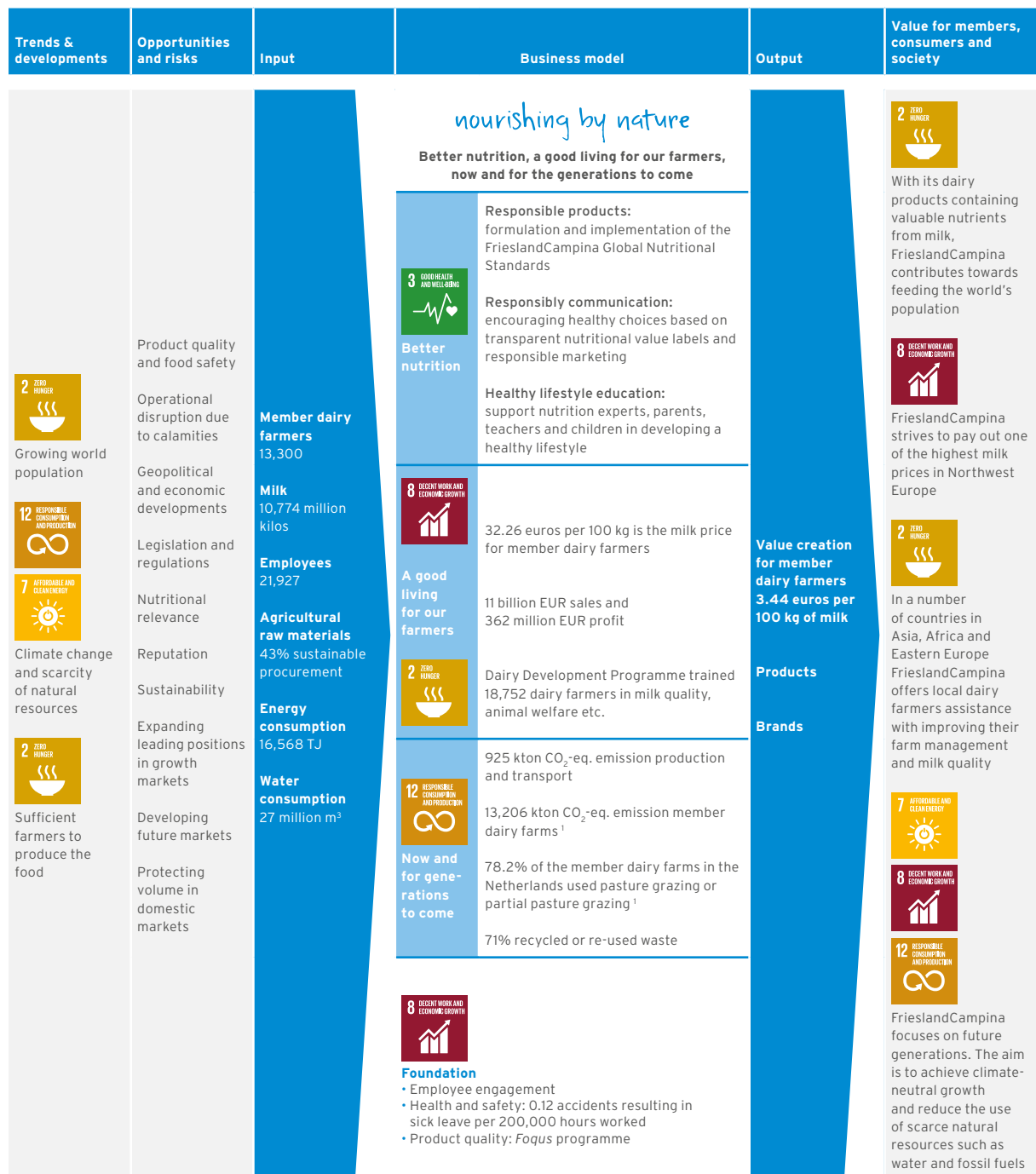
With its Dairy Development Programme, FrieslandCampina supports local dairy farmers (mainly small farmers) in Asia, Africa and Eastern Europe in improving local dairy farms, increasing milk quality and improving cow productivity.

The *Drink.Move.BeStrong* campaign launched by FrieslandCampina in several South-East Asian countries encourages parents and children to have a healthy lifestyle with a varied diet and enough exercise. In 2016, FrieslandCampina won the Gold standard Award for Regional Corporate Citizenship with the *Drink.Move.BeStrong* campaign.

Together with other companies carrying significant volumes of sea freight, FrieslandCampina started up the BICEPS Network in order to factor in the environmental performance of shipping companies in the procurement of sea freight. This simultaneously accelerates the implementation of successful sustainable innovations in this sector.

Relating to sustainability, FrieslandCampina closely collaborates with other dairy sector companies, including suppliers, waste processing, the energy sector, consultancy, transport, water purification, government bodies and universities and academies.

Figure 5. The value chain

¹ Concerning Zuivelcoöperatie FrieslandCampina U.A.

The performance

This section presents the Company's performance relating to CSR themes most relevant to FrieslandCampina and its stakeholders. The performance is set out in accordance with the strategic CSR pillars and themes.

Better nutrition

Dairy forms a key part of the daily nutrition for many people throughout the entire world. With its high-quality milk and milk products, FrieslandCampina wants to contribute to food and nutrient security. In addition, FrieslandCampina wants to help constrain the growing number of overweight people, especially children. FrieslandCampina does this by imposing strict requirements on product composition, providing education and information about healthy nutrition and a healthy lifestyle, and by making it easier for the consumer to choose healthy nutrition. In 2016, the FrieslandCampina Nutrition Policy was developed that describes the criteria for better products, responsible marketing communications and education about a healthy pattern of nutrition and exercise.

Better products

FrieslandCampina throughout the world uses a set of scientific nutritional criteria for its consumer products, the FrieslandCampina Global Nutritional Standards. The criteria for trans fat, saturated fat, added sugar and salt are borrowed from the scientific nutritional criteria of Choices International (developed by independent scientists). FrieslandCampina has developed its own criteria for energy per portion, ensuring that dairy and other products contain valuable, naturally present nutrients, and for enriching products with essential nutrients. All of FrieslandCampina's consumer products are evaluated in terms of these criteria and it is determined whether the product contributes to the intake of important nutrients or whether it is a self-indulgent product. In 2016, it was decided to better monitor the balance between nutritional and self-indulgent products. In addition, the products whose sugar, salt and calorie content will be reduced over the coming years have been identified. New products will be developed such that they meet the nutritional criteria. With the implementation of the FrieslandCampina Nutrition Policy the nutritional value of the products has acquired a key position in the thinking and actions of the organisation. Lowering sugar, salt and/or fat content impacts the taste and the texture of products. To compensate for this, the recipes require adjustments that demand relatively high research and development time. In addition, consumers often have to get accustomed to changed products. This is why the recipes will be adjusted in small steps. This way the changes are gradually introduced to the consumer.

Responsible marketing communications

FrieslandCampina is committed to responsible marketing communications. For example, this means that advertising aimed at children up to 12 years of age is only permitted for products that meet strict nutritional criteria, thus stimulating the choice for healthier nutrition. In addition, FrieslandCampina participates in codes of conduct in this area, such as the EU Pledge (voluntary agreements between European food companies about advertising aimed at children). In 2016, FrieslandCampina evaluated its responsible marketing communications policy and will further refine it in 2017.

Responsible labelling

FrieslandCampina uses a nutritional value labelling standard designed to stimulate healthier choices by consumers. This means that, where the size of the packaging allows, the energy logo will be displayed on the front of consumer packaging of FrieslandCampina brands. The nutritional value table contains information by 100 grams/ml, as well as by portion, together with information about the contribution of the nutrients in relation to the daily reference intake. In the Netherlands, the Choices/Checkmark logo will gradually disappear from packaging due to changed regulations. The Dutch government is currently investigating alternatives. In 2016, FrieslandCampina evaluated its responsible marketing communications policy and will further refine it in 2017.

Education about healthy nutritional and exercising patterns

In South-East Asia, FrieslandCampina has a partnership with the Junior National Basketball Association, the NBA's worldwide youth basketball programme. This programme introduces children in Vietnam, Thailand, Indonesia, Malaysia, Singapore and the Philippines to the *Drink. Move. BeStrong* campaign for increasing awareness of the importance of sufficient (outdoor) sports and exercise, good nutrition and a healthy lifestyle. Parents and children also receive information about healthy nutrition and an active lifestyle via World Milk Day, school milk programmes, Goodness of Dairy campaigns, Youth at a Healthy Weight (JOGG) and the National School Breakfast programme.

A good living for our farmers

FrieslandCampina aims to add as much value as possible to the milk so as to maximise its contribution to the incomes and continuity of member dairy farms. It is FrieslandCampina's responsibility to process the milk of the Zuivelcoöperatie FrieslandCampina U.A.'s member dairy farmers and sell it at a price that also creates value in a sustainable way over the long term for member dairy farmers and society. This value creation becomes evident in various ways, for example by means of the performance premium that member dairy farmers receive on top of the guaranteed price for their milk.

FrieslandCampina's performance relating to the objectives of this CSR pillar are presented in Table 2.

Value creation

The milk price that FrieslandCampina pays member dairy farmers on an annual basis consists of the guaranteed price, the meadow milk premium, the special supplements premium, the performance premium (together with the cash price) and the issue of member bonds. The milk is reimbursed on the basis of the value of the kilos of supplied protein, fat and lactose in a 10:5:1 ratio. The FrieslandCampina performance price consists of the milk price plus the interest on member bonds and member certificates, and the addition to the Company's retained earnings.

The amount of the retained earnings and the performance premium is proportionate to FrieslandCampina's profit. For the years 2014-2016, 45 percent of the profit, based on the guaranteed price, after deducting the interest paid on member bonds and member certificates and the profit attributable to non-controlling interests, is added to the Company's equity. 35 percent of the profit can be paid out to the member dairy farmers as a performance premium and 20 percent is paid out to the member dairy farmers in the form of fixed member bonds. The issue of fixed member bonds is based on the value of the milk supplied in the relevant financial year.

For more information, please refer to page 22 of the 2016 Annual Report of Royal FrieslandCampina N.V.

Economic performance and profitability

The profit over 2016 increased by 5.5 percent to 362 million euros (2015: 343 million euros). The increase in profit is due to the increased sale of added value products, especially in Asia, the recovery of the sales prices of basic dairy products in the second half of the year, lower procurement costs and a lower tax expense.

Over 2016, in addition to the guaranteed price, a total of 371 million euros will be paid out to member dairy farmers (2015: 355 million euros), the highest amount since the merger at year-end 2008. Of this, the performance premium is 236 million euros (2.19 euros per 100 kilos of milk, excluding VAT). The issue of member bonds over 2016 amounts to 135 million euros (1.25 euros per 100 kilos of milk, excluding VAT). In total, the performance premium and the issue of member bonds per 100 kilos of milk amount to 3.44 euros (2015: 3.53 euros), a decline of 2.5 percent. The milk price for member dairy farmers over 2016 amounts to 32.26 euros per 100 kilos of milk, excluding VAT. Compared to 2015 (34.64 euros), this represents a 6.9 percent decrease.

In April 2016, 300 million euros in 'green' bonds (*Green Schuldschein*) were issued for the financing/refinancing of investments that contribute to more sustainable production in FrieslandCampina's production facilities and for the further development of healthy nutrition and the dairy sector in the countries in which FrieslandCampina operates. The European Investment Bank granted a credit facility of 150 million euros in June 2016 to finance FrieslandCampina R&D activities in Europe.

For a description of FrieslandCampina's financial performance and profits in 2016, please refer to page 21 of the section 'Report of the Executive Board' of the 2016 Annual Report of Royal FrieslandCampina N.V.

Table 2. Key figures pillar: A good living for our farmers

Indicators ¹	Unit	2016	2015	2014
Milk price	in euros per 100 kg milk	32.26	34.64	42.70
Farmers who participated in a DDP training programme	number	18,752	6,306	n/a

¹ See Appendix 4, Glossary and reporting definitions, for the definitions of the indicators.

Dairy Development Programme (DDP)

FrieslandCampina has 146 years of experience in the dairy farming sector and applies the knowledge gained to help dairy farmers in specific countries in Asia, Africa and Eastern Europe to further develop their farms, for example on the basis of the Dairy Development Programme. FrieslandCampina makes a contribution to the United Nations' Sustainable Development Goals by means of the Dairy Development Programme. By helping farmers become more productive and produce better quality milk, FrieslandCampina contributes to food security, more sustainable milk production and an improved economic position for dairy farmers in Dairy Development Programme countries. To achieve this, FrieslandCampina, in the Dairy Development Programme, focuses on sharing sector knowledge and expertise through means of training programmes, knowledge partnerships and by supporting projects designed to improve the dairy farming sector's infrastructure. The Dairy Development Programme supports local dairy farmers, particularly in Indonesia, Thailand, Vietnam, Malaysia, China, Russia, Romania and Nigeria.

In 2016, in the context of the Dairy Development Programme, a total of 473 training sessions were organised in Vietnam, Indonesia, Malaysia, Thailand, China, Romania and Nigeria. In total, 18,752 farmers participated in the

training sessions. Topics covered during the training sessions included animal health, raising young livestock, accommodation, milk quality and hygiene, bookkeeping, animal feed and water management, and milking techniques. In addition, nineteen employees and ten Dutch dairy farmers, including two Supervisory Board members of FrieslandCampina, shared their knowledge of dairy farming, dairy processing and marketing with more than twenty dairy cooperatives in Asia and Africa during more than 400 working days. Furthermore, FrieslandCampina organised 45 study trips to the Netherlands for 515 dairy experts from countries such as China, Vietnam, Indonesia, Thailand, Malaysia and Nigeria. In Indonesia, FrieslandCampina founded the Young Farmer Academy under the Dairy Development Programme, designed to raise the interest of young people in the profession of dairy farmer.

The partnership of Sino-Dutch Dairy Development Centre was expanded to include ten partners. In 2016, a new contract was signed with respect to expanding the activities in the period from 2017 through 2019.

As from 2017, progress in the Dairy Development Programme will be measured based on the indicators: the number of farmers that participated in a training programme and the average score on Good Dairy Farming Practices (GDFF) in Vietnam, Thailand, Malaysia, Indonesia and Nigeria. The Company will report on the basis of these indicators.



Farmer2Farmer programme started up in Nigeria

In late May, the Nigerian Minister of Agricultural and Rural Development visited the Netherlands for an introduction to the Dutch dairy sector and FrieslandCampina. During his two-day visit, an agreement was reached about the start of the Farmer2Farmer programme in Nigeria as part of the FrieslandCampina Dairy Development Programme.

Now and for generations to come

FrieslandCampina is working on climate-neutral growth of dairy farming, continuous improvement of animal health and animal welfare, and preservation of biodiversity. The goal that FrieslandCampina has set for itself is to keep greenhouse gas emissions in 2020 equal to or lower in comparison to 2010. This also applies in case of an increase in production. This goal includes the greenhouse gases released at the member dairy farm level, during transport from the farm to production facilities and when the dairy is processed. In order to achieve climate-neutral growth, FrieslandCampina is working on several initiatives for an efficient and sustainable production chain. This means furthering sustainability in dairy farming, procuring sustainable (agricultural) raw materials, and reducing energy consumption in the production of dairy products. Furthermore, FrieslandCampina with the help of green certificates stimulates member dairy farmers to generate sustainable energy, for example with wind turbines, solar panels or biomass.

The performance relating to the objectives of this CSR pillar is presented in Table 3.

Climate-neutral growth

As part of the long-term agreement on energy efficiency (MJA-3) and the 'Schone en Zuinige Agrosectoren' (Clean and Efficient Agricultural Sectors) agreement, the Dutch dairy sector has adopted the goal of achieving an improvement in energy efficiency of 2 percent annually. FrieslandCampina conforms to this goal by realising an average of 2 percent improvement in energy efficiency each year in the production of dairy products at its production facilities. By saving energy and producing renewable energy, the dairy farming sector can help reduce fossil fuel use and the emissions of greenhouse gases, such as carbon dioxide and methane.

In 2016, greenhouse gas emissions from production and transport decreased by 4.0 percent to 925 kt CO₂ equivalent. The key reason behind this decrease is the increase in the use of sustainable energy at the production facilities.

Emissions of greenhouse gases at farms of the member dairy farmers of Zuivelcoöperatie FrieslandCampina U.A. increased by 5.6 percent due to a 7.1 percent increase in the milk production. Methane (CH₄) is released in the dairy farm operations through rumen fermentation and during storage of animal manure. Nitrous oxide (N₂O) is

Table 3. Key figures pillar: Now and for generations to come

Indicators ^{1, 2}	Unit	Target 2020	2016	2015	2014
Climate-neutral Growth					
Greenhouse gas emission (production and transport) ♦	in kt CO ₂ equivalent	Baseline year 2010: 1,227	925	964 ³	1,034 ³
Greenhouse gas emissions (farms) ⁴ ♦	in kt CO ₂ equivalent	Baseline year 2010: 10,985	13,206	12,501 ³	11,839 ³
Sustainable Production					
Energy consumption ♦	in GJ/tonne end product	2.57	2.75	2.66 ³	2.68
Water consumption ♦	in m ³ /tonne end product	3.38	4.48	4.59	4.62
Reusing waste	as a % of the total	n/a	71	70	67
Sustainable Procurement of Raw Materials					
Share of sustainable agricultural raw materials ♦	as a % of the total	100	43	26	23
Green electricity ♦	as a % of the total	100	78	65	43
Pasture grazing					
Pasture grazing ♦	% member dairy farms in the Netherlands applying a form of pasture grazing	81.2	78.2	77.9	77.2

¹ See Appendix 4, Glossary and reporting definitions, for the definitions of the indicators.

² The 2016 indicators that fall within the scope of the assurance of the auditor are marked with the ♦ symbol. See Appendix 3, Assurance report of the independent auditor, for details.

³ The calculation method for these indicators was updated in 2016. The relevant historical statistics were revised for this reason.

⁴ Concerning Zuivelcoöperatie FrieslandCampina U.A.

released during storage of animal manure and conversion of nitrogen fertilisers in the soil. During the consumption of fuels and when generating electricity, carbon dioxide (CO₂) is released. In order to add up the different gases, the greenhouse effect of methane and nitrous oxide is converted to CO₂ equivalents: 1 kilogram of methane (CH₄) is equivalent to approximately 28 kilograms of CO₂ and 1 kilogram of nitrous oxide (N₂O) is equivalent to approximately 265 kilograms of CO₂. The average greenhouse gas emission of Dutch dairy farm operations is 1.24 kg of CO₂ equivalent per kilo of milk, whereas the worldwide average is 2.4 kg of CO₂ equivalent per kilo of milk. The calculations are based on the average greenhouse gas emission per kilogram of milk as determined by Wageningen UR/LEI based on a representative random sample test.

The climate-neutral growth performance is compared with the reference year 2010 in Table 4. These figures show a positive effect of the measures implemented at the production units aimed at reduction of emission of greenhouse gases and procurement of green electricity. The greenhouse gas emissions from procurement of milk, milk powder and whey increased in 2016. The main reason is growth of procurement of third-party milk powder as a raw material for Asian dairy products. The volume of whey purchased remained stable. Procurement of milk from third parties has decreased due to termination of supplier contracts for raw milk. The greenhouse gas emissions at farms have increased due to the increased milk production and the number of cows held at member dairy farms.

Sustainable Production

By 2020, in all of its branches throughout the world, FrieslandCampina wants to be using 100 percent sustainable energy from renewable sources such as wind, solar and biomass, and have as much as possible of this energy generated by Zuivelcoöperatie FrieslandCampina U.A.'s member dairy farms. The goal FrieslandCampina has set for itself is to keep the Company's water consumption per tonne of product by 2020 equal to or below 2010 levels. Objectives have been formulated for each site.

In 2016, energy consumption increased by 3.4 percent to 2.75 GJ/tonne of end product (2015: 2.66 GJ/tonne). Due to the increase in the milk supply and the growth in the production of infant nutrition and milk powder, more products were produced using more energy intensive production methods. In addition, energy and water was consumed during the start-up of new plants, while relatively little was produced. The energy-reducing effects of new plants will become evident over the coming years. Specific savings to improve energy consumption by 2 percent per year per tonne of end product are planned for the coming four years.

Since 2015, Zuivelcoöperatie FrieslandCampina U.A.'s member dairy farmers can monitor an energy scan in *Foqus planet* and are rewarded if the total energy consumption is below 1,300 kJ/kg milk. 70 percent of the member dairy farms participated in the energy scan.

Table 4. Greenhouse gas emissions

Greenhouse gas emissions ¹	Unit	2016	2015	2010
Scope 1: gas, diesel ²	kt CO ₂ equivalent	796	756 ⁷	842
Scope 2: electricity, steam ³	kt CO ₂ equivalent	129	208 ⁷	385 ⁷
Net greenhouse gas emission - climate-neutral scope	kt CO ₂ equivalent	925	964	1,227
Scope 3: Net greenhouse gas emissions, farms - climate-neutral scope ^{4, 5}	kt CO ₂ equivalent	13,206	12,501 ⁷	10,985
Scope 3: greenhouse gas emissions procurement of milk, milk powder, whey (from third parties) ⁶	kt CO ₂ equivalent	4,764	4,670	

¹ See Appendix 4, Glossary and reporting definitions, for the indicators.

² Scope 1: greenhouse gases derived from natural gas and diesel used in milk processing and transport to the production facilities.

³ Scope 2: greenhouse gases derived from procurement of electricity and steam used by the production units in dairy processing. This includes the reduction based on procurement of green electricity.

⁴ Scope 3: greenhouse gases attributable to the cows and milk production at the farms of the member dairy farmers in the Netherlands, Germany and Belgium. The calculations are based on the average greenhouse gas emission per kilogram of milk as determined by WUR/LEI based on a representative random sample test.

⁵ Concerning Zuivelcoöperatie FrieslandCampina U.A.

⁶ Scope 3: greenhouse gases from procurement of milk, milk powder and whey from third parties.

⁷ The calculation method for this indicator was updated in 2016. The relevant historical statistics were revised for this reason.

In 2016, the water consumption of the production facilities decreased by 2.4 percent to 4.48 m³ per tonne end product (2015: 4.59 m³/tonne). The Aalter facility (Belgium) achieved a reduction of 26 percent in its water consumption per tonne of end product by treating the waste water and in part reusing it for technical purposes. The San Pedro facility (Philippines) achieved a 35-percent reduction per tonne of end product by optimising its processes. A significant water reduction was also achieved in Workum (Netherlands) by optimising the cheese production process. In the future, FrieslandCampina will primarily focus on reducing water consumption in production facilities in areas where there is water scarcity or where there could be water scarcity in the near future. The focus in this respect will be on branches in Asia, the Middle East and Africa.

FrieslandCampina also aims to reduce waste, collaborating with waste processors to increase recycling and reusing of waste. In 2016, FrieslandCampina reused or recycled 71 percent of its production waste. 19 percent of the waste is incinerated for generating power, and ten percent is still dumped in landfills. This improvement compared with the past year is attributable to recycling projects at the production facilities. FrieslandCampina is committed to improving reuse of waste, and to reduce worldwide waste dumping to zero by 2020.

Phosphate reduction package of measures

Pursuant to the Dutch Government's deferral of the system of phosphate rights (probably to 1 January 2018), the dairy sector, together with other parties in the Netherlands, has assembled a set of measures designed to significantly reduce phosphate production by the dairy farming sector in 2017. A substantial and speedy reduction of the phosphate production is required to meet the European Union's environmental requirements. Dutch farmers are permitted to discharge more nitrogen from animal manure on their land than dairy farmers in other EU member states (the so-called derogation). The condition attached to this derogation is that the phosphate production of the overall livestock farming sector in the Netherlands must stay below the phosphate production ceiling of 172.9 million kilos per year. Due to the growth of the dairy farming sector in particular, the phosphate ceiling was exceeded in 2015 and 2016, and threatens to be exceeded in 2017 as well. Retention of the derogation for the dairy farming sector and respecting the associated conditions are in the interest of the environment and the Dutch economy. The measures provide for an annual reduction of 8.2 million kilograms phosphate by the dairy farming sector. This should be sufficient to drop below the phosphate ceiling in 2017.



Mono manure fermentation and manure processing

In 2016, FrieslandCampina implemented two initiatives relating to manure fermentation and processing: Jumpstart for mono manure fermentation on the farm and 'Mestkring' (Manure Circle) for large-scale manure fermentation and manure processing. An independent cooperative was set up for Jumpstart. Manure fermentation contributes to reducing the emission of greenhouse gases, including methane. FrieslandCampina worked closely with other parties, such as *Groen Gas Nederland*, *Duurzame Zuivelketen* (Sustainable Dairy Chain), LTO (Dutch Federation of Agricultural and Horticultural Organizations) and NZO (Dutch Dairy Association). Jumpstart facilitates dairy farmers who want to join forces for the purpose of implementing mono manure fermentation on their own dairy farm. Mono manure fermentation produces heat and biogas and reduces greenhouse gases. The biogas can be upgraded to green gas and can be supplied to the natural gas network. It can also be used to fuel cogeneration plants that produce electricity and heat. FrieslandCampina guarantees that it will purchase the green energy generated by participating *Zuivelcoöperatie FrieslandCampina U.A.* member dairy farmers. In addition, FrieslandCampina pays each participating member 10 euros per tonne of CO₂ reduction. In October 2016, the first prototype was put into use. The Dutch Ministry of Economic Affairs has allocated a maximum of 150 million euros in the context of the Renewable Energy Production Incentive Scheme (SDE+). The objective is to have a thousand mono digesters for manure in operation in the coming years.

The package consists of the phosphate reduction on the basis of Feed Track Agreements, the Cessation of Farming Scheme and the ZuivelNL Phosphate Reduction Plan. Phosphate reduction on the basis of Feed Track Agreements is expected to result in a reduction of 1.7 million kilograms of phosphate; the Cessation of Farming Scheme and the ZuivelNL Phosphate Reduction Plan together are expected to produce a phosphate reduction of 6.5 million kilograms.

The ZuivelNL Phosphate Reduction Plan stimulates dairy farmers to reduce their livestock herd if they have more cows and young livestock on their farm than on 2 July 2015 minus 4 percent. Farms that did not have a phosphate surplus in 2015 in accordance with the definition in the Fertilisers Act and which are therefore land-based are exempted from the 4-percent reduction.

In the last months of 2016, there was a great deal of consultation in the dairy sector to develop plans and to obtain the consent of the various organisations involved and their members. The Members' Council of Zuivelcoöperatie FrieslandCampina U.A. in its meeting of 20 December 2016 consented to the ZuivelNL Phosphate Reduction Plan.

Ministerial regulation

On 30 December 2016, State Secretary Van Dam announced that the original ZuivelNL Phosphate Reduction Plan would be embedded in a ministerial regulation under the Agricultural Act. The phosphate reduction must be implemented by dairy farms and cooperatives. The 2017 ministerial regulation Phosphate Reduction Plan took effect on 1 March 2017. In February 2017, the European Commission approved the total package of phosphate production measures 2017.

Residual water FrieslandCampina for alginate production

The Borculo and Lochem production facilities of FrieslandCampina will start supplying their residual water directly to WRIJ (Water Board Rijn and IJssel) as from late 2017. The Water Board invests in the construction of a purification system in Zutphen in order to extract the sustainable raw material NEO alginate from the residual water. NEO alginate is a sustainable raw material with a number of unique properties. It can retain or repel water. This offers various options for applications in agriculture and horticulture, the paper industry and the construction sector.

Sustainable procurement of raw materials

In addition to milk, FrieslandCampina also uses other agricultural raw materials for its products. By 2020, FrieslandCampina aims to only purchase agricultural raw materials and paper packaging acquired from fully sustainably managed sources. Agricultural raw materials that are already (partially) purchased from sustainably managed sources among other things include cocoa, soy oil, palm oil, sugar cane, starch and paper packaging. These are products with globally recognised certificates or products for which a plan for sustainable development is created in cooperation with suppliers.

In 2016, the share of raw materials purchased from sustainably managed sources increased to 43 percent. This represents an increase of 17 percentage points compared to 2015. For example, in 2016 the share of cane sugar purchased with Bonsucro certificates increased by 15 percentage points. In addition, the suppliers of starch were evaluated in accordance with the SEDEX SMETA methodology. In this way, over 50 percent of the volume of starch purchased was acquired from a sustainably managed source in 2016.

In 2016, worldwide, 78 percent of all of the electricity consumed by FrieslandCampina's production facilities was sustainable also thanks to the purchase of Guarantees of Origin for renewable electricity. These guarantee that the electricity is produced using wind, co-fermentation of biomass, manure fermentation or solar energy. This represents an increase of 13 percentage points compared to 2015. In 2016, Zuivelcoöperatie FrieslandCampina U.A.'s member dairy farmers by means of the Guarantees of Origin for renewable energy supplied 29 percent of the green electricity consumed by FrieslandCampina throughout the world.

In addition to pyrolysis oil, FrieslandCampina also uses biogas for creating steam in its production facility in Borculo. In the spring of 2017, FrieslandCampina will start acquiring biogas from an external party. This will result in an annual CO₂ reduction of approximately 8,000 tonnes of CO₂ equivalent.

In addition to the efforts related to procurement of agricultural raw materials and paper packaging, FrieslandCampina is also developing a sustainable approach to the purchase of other materials and services. For example, FrieslandCampina is a co-founder of the BICEPS network for more sustainable ocean shipping. The BICEPS Network factors in the environmental performance of

shipping companies in the procurement of sea freight. This simultaneously accelerates the implementation of successful sustainable innovations in this sector.

Animal health and animal welfare

Improving animal health and animal welfare and extending cow life is a key aspect in the *Foqus planet* programme of the members of Zuivelcoöperatie FrieslandCampina U.A. Healthy cows that are well taken care of live longer, require fewer veterinary drugs and have more efficient milk production. All member dairy farmers are subject to various requirements relating to animal health and animal welfare. Examples include: collaboration with a certified cattle veterinary, monitoring animal health status and an animal health check. The member dairy farmers can make use of the following tools to ensure animal health:

- The PBB (Periodical Farm Visit): four regular visits per year by a veterinarian;
- The CDM (Continuous Animal Health Monitor): monitoring animal health based on data available on animal health and comparison with national averages. These data include cattle mortality, calf mortality, health status for paratuberculosis, BVD and salmonella, new udder infections and cell count;
- Cow Compass: an integral analysis of the dairy farming sector charting the strengths of dairy farms as well as their areas for improvement (feed, water, accommodation, animal welfare, etc).

In the context of the objectives of *Duurzame Zuivelketen* (Sustainable Dairy Chain), Zuivelcoöperatie FrieslandCampina U.A. encourages its member dairy farmers to aim for extending the lives of their cows by six months by 2020 compared to 2011 (5 years, 8 months and 11 days). This is reported in the Sector Report of *Duurzame Zuivelketen*.

Responsible use of antibiotics at the farm

Worldwide, antibiotics are a key contribution to countering bacterial infections in both humans and animals. In order to help prevent antibiotics resistance, the Dutch animal sectors made agreements with the government relating to responsible antibiotics consumption. At dairy farms, antibiotics may be applied only at the express instructions of a veterinarian. Thanks to the efforts of Zuivelcoöperatie FrieslandCampina U.A. member dairy farmers and based on better collaboration with other parties in the dairy chain, including veterinarians, the use of antibiotics was significantly reduced in dairy farms in the past few years. Milk from cows that received antibiotics cannot be delivered by dairy farmers and cannot be accepted for processing.

Although the use of antibiotics is a material issue for FrieslandCampina, it is reported separately in the Sector Report of *Duurzame Zuivelketen*.

Pasture grazing

A grazing cow is part of the Dutch cultural landscape, something that is highly valued by its citizens. FrieslandCampina encourages member dairy farmers in the Netherlands, Belgium and Germany to allow their cows and young livestock to graze. When dairy cows are allowed to graze in the pasture for a minimum of 6 hours a day on at least 120 days per year, the dairy farmer is entitled to a meadow milk premium of gross 1.00 euro per 100 kilos of milk (effective 2017: 1.50 euros per 100 kilos of milk). Furthermore, FrieslandCampina rewards partial pasture grazing with 0.46 euros per 100 kilos of milk. To qualify for this, dairy farmers must allow a minimum of 25 percent of the cattle present on their dairy farm to graze in the pasture for at least 120 days per year.

In 2016, the percentage member dairy farms in the Netherlands whose cows graze in a pasture increased to 78.2 percent (2015: 77.9 percent). This is the second year in a row that the percentage dairy farms that practices pasture grazing or partial pasture grazing has increased.

Soy

The member dairy farmers of Zuivelcoöperatie FrieslandCampina U.A. contribute to a more sustainable cultivation of soy by ensuring that the animal feed with soy grit purchased by the member dairy farmers is derived from sustainable sources and certified in accordance with the RTRS (Round Table on Responsible Soy) criteria or comparable criteria. In 2016, 100 percent of the soy purchased complied with the RTRS certificate.

Biodiversity

Biodiversity is threatened worldwide due to urbanisation, growing industry and intensified agriculture. This results in disruption and loss of resilience of ecosystems. Examples include loss of soil fertility, increase in the number of diseases and plagues, and a negative impact on the climate. The dairy farm sector, as a relatively large landholder and landscape manager, and as a production factor with an environmental impact, has an influence on biodiversity. FrieslandCampina is committed to an active contribution to the preservation of biodiversity. Dairy farmers that are actively involved in preservation of varieties, nature and landscape can earn development points in the sustainability component of *Foqus planet*.

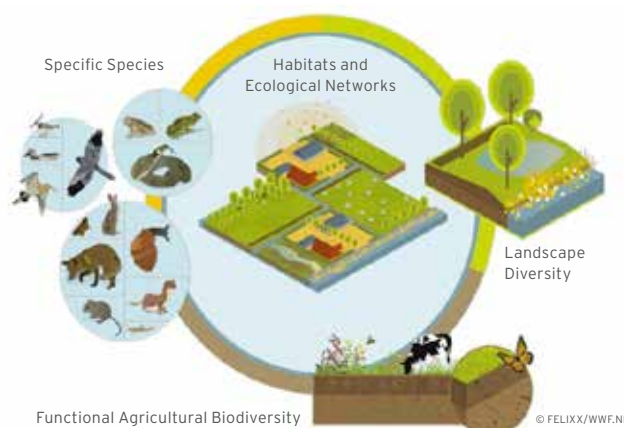
FrieslandCampina, Rabobank and the World Wide Fund for Nature (WWF) have expressed the joint ambition of restoring biodiversity in agriculture. This is based on the concept that it has added value for the dairy farmer and to develop conditions which support a biodiverse landscape based on earning models in the chain. This decreases the dependency on the subsidies available. The second concept is that the biodiversity enhancing performance of the dairy farmers, both relating to biodiversity on their own farms and beyond, must be measurable. For this purpose, the three parties are developing the Biodiversity monitor for dairy farms.

Biodiversity monitor

The biodiversity monitor is designed to measure the influence of individual dairy farms on the biodiversity in and outside the farm, based on key performance indicators (KPIs). In addition to making the environmental influence (both positive and negative) measurable, the monitor offers specific operational measures that the dairy farmers can implement to raise the score on one or more KPIs. The method applied is in line with the Natural Capital Protocol, the FAO Leap method and the IDF Biodiversity guidance.

Long-term biodiversity can be influenced by short-term improvement of dairy farm operations influencing the environment. This means decreasing the negative influence on the environment and a more positive contribution to protection of varieties and maintenance of the landscape.

Figure 6. The four pillars of biodiversity



FrieslandCampina, Rabobank and WWF are collaborating with dairy farmers, researchers and agricultural nature associations and cooperatives. Furthermore, this process generates input from other chain parties, including other dairy companies, based on interactive meetings. The biodiversity monitor is to be further developed into a fully-fledged instrument ready for practical implementation, both in terms of technical aspects and in terms of content.

Dairy farms in the Netherlands cover approximately 40 percent of the agricultural domain. The way the dairy farmers manage the landscape therefore has a significant influence on the living environments of animals and plants - and on the image of dairy farms. Effective nature and landscape management by the dairy farmers can significantly increase the survival rates of varieties that depend on the agricultural landscape.

Table 5. *Foqus planet* indicators for sustainable development

Indicators ¹	Realisation in 2016
Infectious Bovine Rhinotracheitis (IBR) ²	43% of the member dairy farms are certified IBR-free
Bovine Viral Diarrhoea (BVD) ²	47% of the member dairy farms are certified BVD-free
Cell count	62% of the member dairy farms have a cell count under 200,000/ml
Economic life of cows	32% of the member dairy farms keep the economic life of cows to over six years (average age upon being carried off-site (death/slaughter) over the past three years)
Energy	70% of the member dairy farms participated in the energy scan
Nature & Landscape	58% of the member dairy farms demonstrated their active involvement in managing nature and landscape

¹ Concerning Zuivelcoöperatie FrieslandCampina U.A.

² For IBR, BVD and Economic life of cows, the data are based on the companies that issued authorisation to FrieslandCampina for data access.

The foundation of the CSR policy

The foundation of the CSR strategy matrix (figure 4, page 15) ensures that the CSR policy is embedded with FrieslandCampina's organisation.

Nourishing by nature Governance Board and CSR implementation teams

FrieslandCampina's Executive Board has final responsibility for FrieslandCampina's CSR policy. The development and coordination of the CSR policy are the responsibility of the Corporate Sustainability department. The Nourishing by nature Governance Board is responsible for assessment and consultation.

The Corporate Sustainability department is responsible for, among other things:

- setting out and updating the CSR strategy and CSR policy;
- the dialogue with stakeholders;
- coordinating and facilitating the implementation of the CSR policy;
- involving external stakeholders in the CSR policy;
- demonstrating the sustainability efforts to both internal and external stakeholders;
- supporting the business groups and operating companies in translating the corporate CSR policy to brand policy and other policies.

The business groups and operating companies are responsible for the implementation of the CSR policy.

Dialogue with stakeholders, partnerships, Dairy Sustainability Framework

Dialogue with stakeholders

In order to chart the stakeholder expectations and keep up to date with all current and relevant developments, FrieslandCampina maintains structural contact with its key stakeholders. The key stakeholders were identified during the materiality analysis. This concerns Zuivelcoöperatie FrieslandCampina U.A. member dairy farmers, employees, customers, suppliers, government bodies, financiers, a number of NGOs and society in general. Having a dialogue with these stakeholders enables FrieslandCampina to collect the issues that are important to them, to be used to prioritise the relevant issues and to tighten up the CSR policy.

Table 6: Dialogue with stakeholders

Group	Communication	Issue discussed	Actions in 2016
Non-Governmental Organisations	- Frequent meetings as a member of NZO (Dutch Dairy Association) - NGOs such as the World Wide Fund for Nature, Solidaridad, <i>Stichting Natuur & Milieu</i>, Greenpeace, and <i>Dierenbescherming</i>	- FrieslandCampina Global Nutritional Standards - Progress sustainability agenda of the Duuzame Zuivelketen (Sustainable Dairy Chain) - Sustainability of palm oil used in the products - Sustainability of selected fruit varieties - Assurance that soy in animal feed was produced sustainably based on the RTRS criteria - Interpretation of the term biodiversity within the dairy farm sector	- The results and progress on targets and objectives were discussed, receiving valuable input - Supplementary steps were taken in separate processing of sustainable palm oil - In collaboration with Solidaridad, criteria for sustainable oranges were defined - NZO (Dutch Dairy Association) organised broader implementation of this sustainable soy initiative in the adjacent countries. As a result, all concentrated feed for cows in the Netherlands meets the RTRS criteria as from 2015. - FrieslandCampina develops a Biodiversity Monitor in collaboration with WWF and Rabobank
Employees	Feedback from employees is collected: In the annual talent management cycle consisting of various phases, from setting goals to year-end assessments. During such assessments, employees are invited to give feedback	- Health and Safety - Social responsibility	Each business group and production facility based its own action plan on the results of the Over2You survey that are relevant and applicable
Zuivelcoöperatie FrieslandCampina U.A.'s member dairy farmers	- Frequent meetings of the Cooperative's Board, the Members' Council and with the members - Contact as part of the <i>Foqus planet</i> programme	<i>Foqus planet</i> has four topics: company, cow, feed and milk - Value creation for member dairy farmers - Green electricity	With the <i>Foqus planet</i> programme, FrieslandCampina rewards its member dairy farmers for pasture grazing and sustainability
Government bodies and local authorities	- Frequent consultation on the progress of the long-term agreements in the context of energy efficiency (MJA3 agreement), the Clean and Economic Agricultural Sectors Covenant, and the Sustainable Livestock Farming Implementation Agenda - Frequent consultation with the permit issuing bodies at the production facilities - Contact as part of the Drink.Move. BeStrong campaign - Meetings with the Dutch dairy sector and relevant local authorities (such as China)	- FrieslandCampina Global Nutritional Standards - Sugar reduction roadmap in the EU - Front-side packaging labelling - Nutrients profile inspection - Discussing progress on the objectives determined - Eliminating the European milk quota system and the consequences thereof for the sustainability agenda - Discussing progress of the individual environmental permits - Explanation of the sustainability agenda	- FrieslandCampina complies with the objectives agreed in MJA3 - FrieslandCampina rewards member dairy farmers that are committed to sustainability and pasture grazing - In the Dairy Development Programme (DDP), FrieslandCampina shares its dairy farming knowledge and expertise
Society	- Open Days at the farms - Events of The Milk Story, organising dialogues with various stakeholders - Via social media and websites	- Culture and society - Nutrition and health - Social aspects of milk and dairy	- Via active communication with consumers at the Open Days at the farms - FrieslandCampina uses the contribution of the stakeholders to learn and to tighten up its CSR policy
Customers	- Via customer satisfaction survey - As part of the complaints procedure - Customer meetings explaining the sustainability programme	- Continuous improvement - Product safety - Product quality - Healthy diet	- FrieslandCampina is a member of the Dairy Sustainability Framework (DSF), an initiative of the international dairy sector that makes the sustainability effort of dairy products visible toward customers and consumers - FrieslandCampina has its internal integral quality system for assurance of compliance with strict food safety and quality standards
Suppliers	- Frequent contact as part of the <i>Foqus planet</i> programme with significant suppliers - As part of the supplier audits	- Sustainable agricultural raw materials - Green electricity - Product development	FrieslandCampina collaborates with its suppliers in developing plans for sustainability in procurement of agricultural raw materials. This is part of the KPI sustainable procurement, which was further developed this year.

Group	Communication	Issue discussed	Actions in 2016
Nutrition and health experts	Communication about dairy, food and health via various channels such as websites, social media, brochures, training, round tables and conferences	- Sports and nutrition - Health of children and taste development - Sustainable diets - Strong bones - Milk fats - Nutrition for the elderly - Undernourishment	- Organising a seminar together with the sector organisation for fitness professionals relating to the importance of good food for sports - FrieslandCampina is a partner in the Strong Bones Platform. The platform was launched on 5 November 2016, together with an interactive exhibition in Corpus, presenting the importance of strong bones. - The FrieslandCampina Institute organised a conference for dieticians relating to dairy in a sustainable diet. - Expert conventions are organised by the FrieslandCampina Institute to discuss the latest in technological developments. - The FrieslandCampina Institute organised a symposium at the Africa Nutrition Epidemiology Conference about ANI (Africa Nutrition Initiative).

Partnerships

FrieslandCampina collaborates with 'Voedselbanken Nederland' (Dutch Food Bank Association). The food banks help the poorest by providing food packages on a temporary basis. FrieslandCampina annually supplies over one million dairy products to the food banks. Since July 2016, FrieslandCampina has also supplied a dairy drink specifically made for the Food Banks in the Netherlands. This is in line with the policy of the food banks to increase the nutritional value of the food packages. FrieslandCampina also provides the logistics. This results in a fair and quick distribution of dairy products to food banks throughout the Netherlands. The knowledge that FrieslandCampina has relating to food safety, quality and healthy nutrition is shared. Please find more information relating to this issue on the website www.frieslandcampina.com.

FrieslandCampina supports both domestic and international projects led by the Red Cross. In 2016, FrieslandCampina collaborated in the promotion of the Red Cross 'citizens' network 'Ready to Help'. The basis of this partnership is providing help to people in areas of conflict or natural disaster. Both parties provide funds, knowledge, employees and other means to implement the shared ambitions:

- countering hunger and nutrient deficiencies of people in need;
- contributing to food security;
- reinforcing the resilience of vulnerable communities.

Since the start of this partnership in 2012, the Netherlands Red Cross received 700,000 euros from FrieslandCampina for providing food help to people in need. In 2017, the term of the partnership was extended by three years to 2020.



FrieslandCampina and Corpus collaborate on healthy youths

At the 2016 World School Milk Day, FrieslandCampina and Corpus *Reis door de Mens* extended their collaboration by a 3-year period to continue creating awareness of the importance of sufficient exercise, responsible nutrition and a healthy lifestyle. Visitors of *Reis door de Mens* have an interactive experience in the World of Milk, an educational attraction in Corpus, about the effect of nutrients in milk on the human body, and how these help muscle development, maintaining strong bones and provide energy.

Please find more information relating to the partnerships and memberships of FrieslandCampina on the website www.frieslandcampina.com and in the GRI table (Appendix 2).

Dutch Lady Vietnam is building the twentieth school in Vietnam

In the context of the Dền Dom Dốm programme, Dutch Lady Vietnam granted 25,000 scholarships and built twenty schools since its inception in 2002. This programme ensures that children in Vietnam can go to school without any financial problems.

For an overview of projects that FrieslandCampina is involved in, please refer to 'CSR in practice' at www.frieslandcampina.com

Dairy Sustainability Framework

The international dairy sector makes use of the Dairy Sustainability Framework (DSF) as a model for making the increasing sustainability in the dairy sector measurable and visible. In 2016, FrieslandCampina completed two implementation pilots, one in the Netherlands and one in Indonesia. The assistance group and the advisory board have made proposals for determining minimum levels and for preparing maturity levels for the implementation of the Dairy Sustainability Framework. Based on these initiatives, FrieslandCampina aims to contribute to further sustainability of the international dairy sector. Please find more details on the DSF website: www.dairysustainabilityframework.org

Innovation, Health & Safety, engagement of employees and member dairy farmers, Nourishing by nature award

Innovation

Sustainability is a key motivating factor in many innovation projects. Reducing energy and water consumption in production processes and making more effective use of raw materials contribute to the realisation of sustainability objectives. Combined with knowledge of milk components and technology, this contributes to improving returns, while at the same time reducing the impact on the environment. Spray drying milk to produce various milk powders requires a great deal of energy. Experts are working on various initiatives, including the realisation of sustainability objectives by means of heat recovery that could save substantial quantities of the energy used in the milk drying process.

Packaging protects products against external influences during transport and storage. The process of developing packaging takes the direct needs of all steps in the logistics process into account, and most definitely those of the end-user, the consumer, as well. Areas for attention also include reducing any food residues left behind in packaging, reuse, minimising the use of materials, optimising logistics and reducing the emission of greenhouse gases.

At the request of ZuivelNL and *Duurzame Zuivelketen* (Sustainable Dairy Chain), FrieslandCampina is developing a model that measures the emission of greenhouse gases of the milk produced on individual dairy farms. The model will use farm-specific data relating to areas such as farm size, feed composition, use of artificial fertilisers, herd characteristics and energy generation. The results will provide dairy farmers with better insight into how the emission of greenhouse gases associated with the production of milk can be reduced.

Health & Safety

FrieslandCampina is making efforts to create the safest possible workplace for its employees and suppliers. The objective is zero accidents and incidents, so that everyone working for FrieslandCampina arrives home safe and sound. The Global Safety Programme describes the safety standards used and how processes are to be run. The programme provides education and training in the area of safety leadership and safe behaviour. Furthermore, a great deal of attention is devoted to communication. Accidents and incidents are reported, investigated and the lessons learned are shared in various ways with other sites, for example through means of videos, in order to enhance

awareness and to prevent reoccurrence. In 2016, a great deal of attention was also devoted to celebrating successes. The *FrieslandCampina 1,000 Days Safety Award* was presented six times. In addition, 23 sites were accident-free for one year, fourteen sites were accident-free for two years and three sites were accident-free for five years. There is an active focus on continuously improving safety in all production facilities and in all offices.

In 2016, the number of accidents resulting in sick leave at FrieslandCampina sites decreased from 71 to 36. This represents a 50 percent decrease compared to 2015. The number of accidents has never been this low before. In 2016, the ratio of the number of accidents resulting in sick leave per 200,000 hours worked decreased to 0.12 (2015: 0.24). November 2016 was the first month ever with zero accidents resulting in sick leave throughout all of FrieslandCampina.

In 2016, reporting accidents resulting in the assignment of alternative work or requiring medical treatment, was initiated. This makes it possible to better compare safety performance with other companies. The ratio of the number of accidents resulting in sick leave, medical treatment and alternative work per 200,000 hours worked is 0.78. Effective from 2017, this ratio will be the leading indicator.

In 2016, the main causes of accidents were related to:

1. machines (interventions in rotating parts, exposure to steam, hot liquids, pressure, electricity, et cetera)
2. falling, tripping, slipping (falling from stairs, slippery floors)
3. internal transport (forklift truck and pallet truck collisions)

The further decrease in the number of accidents is a good step on the road towards the objective of having zero accidents by 2020. The Global Safety Programme, which includes various elements, such as leadership training, employee training, the implementation of the seven Life Saving Rules and the focus on preventing recurring incidents, has made an important contribution to this. The *Foqus SHE* (Safety, Health, Environment) audit programme is becoming increasingly important. Aside from learning from incidents, it offers the possibility of monitoring and further improving the FrieslandCampina branches.

The target for 2017 is to have less than 0.10 accidents resulting in sick leave per 200,000 hours worked. Machine safety, process safety (safe plants, safely working with chemicals, etc) and the safety of temporary workers are some of the spearheads in the area of safety for 2017.

Health and Safety, employee engagement and involvement of member dairy farmers

FrieslandCampina employees and Zuivelcoöperatie FrieslandCampina U.A.'s member dairy farmers are cooperating in the implementation of the CSR policy. They all play a key role in embedding the CSR policy within the organisation.

FrieslandCampina is fully committed to employee participation in the specification of *nourishing by nature*. How can FrieslandCampina remain an appealing employer? How can employees contribute to the environment they are working in? This focuses on safety, sustainability, nutrition and health. In 2016, '*Nourishing by nature - We Make it Happen*' was a highlight again. Various FrieslandCampina employees participated in a number of on-site green teams. For the Red Cross, we deployed several initiatives to raise funds in the context of the *Disaster Relief Programme*.

Nourishing by nature award

The *Nourishing by nature award* is FrieslandCampina's internal award for best initiative relating to nutrition and sustainability. In 2016, a team of FrieslandCampina Domo was awarded the prize for developing a new infant formula ingredient.

Product quality and food safety, standards and guidelines

Product quality and food safety

FrieslandCampina uses its own integrated quality system, *Foqus*, to safeguard the safety and quality of its products in the entire production chain. Through means of *Foqus*, FrieslandCampina provides consumers, customers and governments the guarantee that the products and production processes comply with the strict requirements pertaining to food safety, quality, safety, working conditions, fire safety and the environment. With the aid of an extensive programme of training and audits, *Foqus* is safeguarded and continuously monitored at production facilities, Zuivelcoöperatie FrieslandCampina U.A.'s member dairy farmers and suppliers of raw materials.

The Golden Quality Rules were introduced in 2016. All initiatives in the area of quality assurance and the *Foqus* requirements are or will be in line with the Golden Quality Rules. The Golden Quality Rules encourage all employees to even better meet the quality expectations of customers and consumers. The Golden Quality Rules are to ensure that product and process quality are safeguarded even more effectively and efficiently.

The Golden Quality Rules are:

- satisfied consumers and customers
- qualified and committed people
- robust processes
- clean and efficiently organised work areas
- implement changes and solve problems in a sustainable manner
- reliable data
- professional partners and suppliers

In 2016, a number of initiatives were started up in the context of the Golden Quality Rules such as CIP (Cleaning in Place) validation, improvement of the quality management at suppliers and the further optimisation of procedures in support of process and product changes.

FrieslandCampina together with the Zuivelcoöperatie FrieslandCampina U.A.'s member dairy farmers controls the entire production chain, from the farm up to and including the end product, from grass to glass. The *Foqus* module for member dairy farmers (*Foqus planet*) gives priority to safeguarding quality and food safety. In addition, the continued stimulation of sustainability in the dairy farming sector through means of various programmes that allow dairy farmers to earn additional income is key.

Certification

The statutory requirements form the basis for monitoring quality. Furthermore, additional requirements must be met. Various international standards, such as GMP+, HACCP, ISO 9001, ISO 22000, FSSC 22000, OSHAS 18000 and ISO 14000 have been integrated into *Foqus*. This way FrieslandCampina's buyers, as well as consumers, can rely on the fact that products are safe and of high quality, and that they are produced in responsible ways. Each year, the *Foqus* requirements are reviewed and if necessary adjusted, so that the system is always in line with legislation and the newest knowledge and insights.

FSSC 22000 is an internationally recognised standard for food safety assurance. In 2016, 88 percent of the production facilities of FrieslandCampina was certified for this standard. The target for next year is to further increase this number to 90 percent. FrieslandCampina's target is to have all its production facilities certified by 2020.

All FrieslandCampina production facilities have an environmental and occupational safety management system in compliance with the requirements of both ISO 14001 and OHSAS 18001. Additionally, FrieslandCampina developed an internal standard: the *Foqus SHE* management system. This is a standardised risk analysis presenting the environmental and occupational safety risks at all sites, and all sites report annually pursuant to this system. The environmental and occupational safety management system is assured based on both internal and external audits.

FrieslandCampina's CSR policy is based on the ISO 26000 guideline. This is an international CSR guideline to assist companies and other organisations in the implementation of CSR in business processes.

Guidelines for suppliers

FrieslandCampina sets strict requirements to suppliers of commodities such as fruit, fruit concentrates, sugar, rennet and many other ingredients used in FrieslandCampina products. FrieslandCampina is committed to a good, open relationship with its suppliers, which is crucial to gain an accurate impression of the safety risks and the way these are monitored in the chain.

FrieslandCampina works with preferred suppliers as much as possible. The selection of preferred suppliers is made by the procurement category teams. These teams represent the relevant disciplines such as R&D, Marketing, Procurement and Quality Management. A basic requirement for acceptance in the selection process is HACCP or ISO certification. One of the crucial elements in the selection is a process and systems safety inspection on site at the supplier. FrieslandCampina annually performs about 450 supplier audits. Where relevant, suppliers are involved in product development at a very early stage.

Compass

In 2016, the renewed code of good business conduct, *Compass*, was introduced. This Code of Conduct and the associated policies provide the principles for integrity, respect and transparency in the professional behaviour of employees of both FrieslandCampina and any third party that FrieslandCampina does business with. Adhering to this Code of Conduct and the policies is supported by training, confidential counsellors appointed worldwide, an integrity committee and a reporting platform that is available to employees 24/7 to express their concern regarding suspected or actual infringement on the Code of Conduct or policies. Furthermore, the corporate manual sets out procedures and guidelines, recording the responsibilities and authorisations.

The Code affirms that FrieslandCampina subscribes the Declaration of Human Rights issued by the United Nations as the universal standard. Other issues set out in the Code include exclusion of corruption, child labour, forced labour, discrimination of employees (the guidelines of the International Labour Organisation ILO) and respecting the employees' right to membership of trade unions. Compliance with the Code is reported annually to the Audit Committee of the Supervisory Board.

Each quarter, members of the management gave a presentation about *Compass*. During these presentations, dilemmas were discussed that employees could encounter in the context of good business conduct. The renewed Speak Up procedure was also introduced in the third quarter. The Speak Up procedure explains when and how employees can let themselves be heard. Local confidential counsellors were appointed throughout the world and a Speak Up telephone and web service are available allowing employees to ask questions or express concerns in their own language about behaviour that may not be in line with *Compass*. In addition to the presentations and the discussions of dilemmas, employees familiarised themselves with *Compass* and Speak Up in mandatory e-learning sessions. A number of countries have started to provide interactive workshops with an emphasis on honest business practices, during which local examples and dilemmas are discussed.

Table 7: Sustainable Development Goals linked to CSR data

Sustainable Development Goals	FrieslandCampina's contribution	In-depth
 SDG 2 "End hunger, achieve food security and improved nutrition, and promote sustainable agriculture"	- Promoting sustainable agriculture among Zuivelcoöperatie FrieslandCampina U.A.'s member dairy farmers through <i>Foqus planet</i> and a reward in the form of premiums - Pasture grazing 78.2% - Green certificates CO₂ premium - CO₂ equivalent emission per kg of milk Netherlands 1.2 compared with 2.4 worldwide average 18,750 foreign farmers were trained in the Dairy Development Programme (DDP) - Offering affordable food in Nigeria with Peak Wazobi sachets (small packages of evaporated milk enriched with various nutrients).	- SDG Target 2.1 "End hunger by 2030 for everyone." Collaboration with the Red Cross for offering emergency relief by offering food - SDG Target 2.3 "Double agricultural productivity and double the incomes of small-scale food producers by 2030." Implementation several updated milk collection centres in Indonesia. 10% income and production improvement in three months - SDG Target 2.4 "By 2030, guarantee sustainable food production systems and implement resilient agricultural practices that serve to increase productivity and production." <i>Foqus planet</i> programme rewards dairy farmers for implementing sustainable agricultural practices
 SDG 3: "Ensure healthy lives and promote well-being for all at all ages"	- Improving consumer products by reducing sugar and salt in accordance with the FrieslandCampina Global Nutritional Standards - Responsible marketing for children in accordance with the EU Pledge agreements - Improved nutritional value information on product labels - Education about healthy lifestyle, food and exercise	SDG Target 3.4 "By 2030, reduce by one third premature mortality from non-communicable diseases through prevention and treatment." Drink.Move.BeStrong campaign with education on healthy lifestyle, food and exercise is now active in six Asian countries FrieslandCampina developed Global Nutritional Standards for consumer products worldwide. The nutritional criteria in the Standards were derived from the criteria of Choices International, developed by independent scientists.
 SDG 7 "By 2030, ensure universal access to affordable, sustainable and modern energy services"	- Green electricity: 78% of the total <i>Foqus planet</i> energy scan at farms Objectives 2020 - Emission greenhouse gases same or lower level than in 2010 - Rewarding farmers for generating green energy based on green certificates and reducing CO₂ emission: 10 euros per ton of CO₂ less	SDG 7.2 "By 2030, substantially increase the share of renewable energy in the global energy mix." Jumpstart, initiative for mono-manure fermentation at farms
 SDG 8 "Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all."	- Climate-neutral growth - Value creation in 2016 (plus on the guaranteed price for milk) for member dairy farmers 3.44 euros per 100 kg of milk - Employees: 21,927 - Member dairy farms: 13,300 <i>Compass</i> code for good business conduct <i>Foqus</i> quality programme and <i>Foqus SHE</i> safety programme - Accidents resulting in sick leave per 200,000 hours worked: 0.12 (50% improvement in 2016)	- SDG Target 8.6 "By 2020 substantially reduce the proportion of youth not in employment, education or training." Young Farmers Programme Indonesia. Long-term dairy farming training programme for young people in Indonesia - SDG Target 8.8 "Protect labour rights and promote safe and secure working environments for all workers." <i>Foqus</i> and <i>Compass</i>
 SDG 12 "Ensure sustainable consumption and production patterns"	- Share of sustainable agricultural raw materials: 43% of the total - Share RTRS certified soy: 100% - Waste reuse/recycling: 71% of the total - Water consumption per ton of finished product delivered: 2.4% Objectives 2020 100% procurement of agricultural raw materials and paper packaging from fully sustainably managed sources - Water consumption same or lower level than in 2010 - Dumped waste reduced to zero	SDG Target 12.5 "By 2030, substantially reduce waste generation through prevention, reduction, recycling, and reuse." Waste reuse/recycling
 SDG 17 "Strengthen the means of implementation and revitalise the global partnership for sustainable development"	<i>Green Schuldschein</i> 300 million euros for funding sustainability projects - Dutch Lady Vietnam is building the 20th school in Vietnam in the context of Dèn Dom Dóm - Collaboration with Jr. NBA for healthy youths in South-East Asia - Collaboration with Dutch food banks - Jumpstart mono-manure fermentation: collaboration with <i>Groen Gas Nederland</i>, <i>Duurzame Zuivelketen</i> (Sustainable Dairy Chain), LTO (Dutch Federation of Agricultural and Horticultural Organizations) and NZO (Dutch Dairy Association) - Partnership Agriterra for the Agripool programme - Collaboration with the Red Cross for offering emergency relief by offering food - Signing partnership International Dairy Federation (IDF) and Food and Agriculture Organisation (FAO) relating to resolving undernourishment, sustainability in the chain and support to small farmers	

Appendix 1

Reporting principles

This CSR report was prepared in compliance with the G4 reporting guidelines of the Global Reporting Initiative (GRI), application level Core.

1.1 Scope

The scope of this report includes Royal FrieslandCampina N.V. and its consolidated subsidiaries. Information concerning Zuivelcoöperatie FrieslandCampina U.A. is stated in this report with markers.

Information derived from acquisitions during any reporting year are not included until the next full calendar year. Information relating to activities that are divested during any reporting year are not included in the reporting on that year.

1.2 Determining the content

FrieslandCampina applies the materiality principle to determine which issues will be included in the reporting that are relevant to FrieslandCampina and the stakeholders. This year, the materiality analysis was also applied as a basis for the updated CSR strategy. The materiality analysis consists of the following phases:

Phase 1: Identification of relevant issues

The goal of the first phase is to prepare an overview of all relevant subjects that FrieslandCampina should report on. A list was prepared based on the GRI guidelines, the sector Appendix for dairy processing and food processing, the ISO 26000 guidelines and reports of similar companies. Where necessary, the list was expanded to include issues specific for FrieslandCampina's activities related to the previous CSR strategy. Subsequently, FrieslandCampina determined the relevance of each individual issue. Issues are relevant if these are or can be influenced by FrieslandCampina (within the organisation or within the chain).

Phase 2: Specification of reporting priorities

In the second phase, all relevant issues were prioritised. Priority is based on the importance of the issue to both FrieslandCampina and its stakeholders. FrieslandCampina has two issues:

- Material issues (above the blue line): subjects relating to which FrieslandCampina aims to have a leading role and for that reason are part of the CSR policy. These issues are the core themes of the reporting.
- Non-material issues (below the blue line): these subjects are monitored but are not reported.

The material issues are the basis of FrieslandCampina's CSR strategy and therefore of the content of this report. The table below defines the material issues, showing how these are linked to the updated CSR strategy.

1.3 Definitions and measuring methods

The Corporate Sustainability department and the Nourishing by nature Governance Board are responsible for collection and verification of the reported information. The information is submitted by the various operating companies, the supply chain organisations of the business groups and the relevant corporate and support departments. Environmental and HR data is retrieved through the central financial data system on a monthly basis.

No uncertainties or inherent limitations were detected in the data due to measurements, estimates or calculations. Any changes in the data definitions and measuring methods compared to previous years were indicated accordingly with the data. Please refer to Appendix 4, Glossary and reporting definitions, for a description of the reporting definitions.

1.4 External assurance

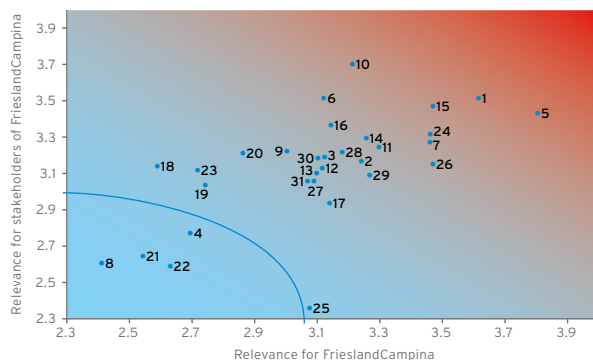
For its 2016 CSR report, FrieslandCampina's auditor (PricewaterhouseCoopers auditor N.V.) issued an assurance report for a selection of the CSR indicators. These indicators are marked with a  in the key figures tables. The auditor's assurance report is set out in Appendix 3, Assurance report of the independent auditor.

Table 8. Cohesion of the CSR strategy and material issues

Strategic pillar	FrieslandCampina's CSR themes	Material issues
Better nutrition	Better products	1. Contribution to better nutrition based on products with a higher nutritional value 3. Encouraging healthy lifestyle
	Responsible marketing	1. Contribution to better nutrition based on products with a higher nutritional value 3. Encouraging healthy lifestyle
	Transparent nutritional value-labelling	2. Transparent product labelling
	Healthy lifestyle education	3. Encouraging a healthy lifestyle
A good living for our farmers	Optimal value from milk	31. Annual financial statements
	Economic performance and profitability	26. Economic performance/long-term viability
	Improving quality and quantity of milk through the DDP	7. Quality and safety of raw milk
	Developing knowledge and skills through the DDP	6. Support to local farmers based on knowledge development 9. Improving the local economy based on ensuring adequate income for dairy farmers in Asia and Africa
Now and for generations to come	Climate-neutral growth	11. Energy efficiency in production 14. Climate-neutral growth 23. Greenhouse gases at the farm
	Sustainable procurement	10. Sustainably cultivated crops as a raw material for the end products
	Sustainable Production	12. Reducing and recycling waste 13. Responsible water consumption
	Pasture grazing	17. Pasture grazing
	Animal health and animal welfare	15. Animal health and animal welfare 16. Responsible use of antibiotics in the dairy farming sector ¹ 18. Biodiversity 19. Soil nutrients 20. Soil quality
Foundation		Material issues
Nourishing by nature Governance Board, CSR implementation teams		28. Implementation of the CSR policy (Governance)
Dairy Sustainability Framework, dialogue with stakeholders, partners, external reporting		30. Involving stakeholders in further development of the CSR policy
Health and Safety, employee engagement and involvement of Zuivelcoöperatie FrieslandCampina U.A.'s member dairy farmers, CSR training		5. Product quality and product safety 24. Healthy and safe working conditions 25. Appealing employer
Product quality and product safety, minimum standards, guidelines for suppliers, business principles		27. Code of Conduct for suppliers 29. Compliance with regulations

¹ Although the use of antibiotics is a material issue for Zuivelcoöperatie FrieslandCampina U.A., it is reported separately in the Sector Report of *Duurzame Zuivelketen*.

Figure 7: Materiality matrix



Appendix 2

GRI table

GRI table Royal FrieslandCampina N.V. 2016 – In accordance with the Core level of GRI G4

Indicator	Description	Reference
General indicators		
Strategy and Analysis		
G4-1	Notes from the highest decision-maker	AR ¹ : CSR Update: A word from the CEO, page 3
G4-3	Name of the organisation	AR ¹ : cover sheet
G4-4	Key brands, products and/or services	AR ¹ : pages 18-19
G4-5	Location of the organisation's head office	AR ¹ : back cover, CSR Update: Profile, back cover
G4-6	Number of countries where the organisation is active	AR ¹ : Markets, page 17
G4-7	Ownership structure and legal form	AR ¹ : back cover, CSR Update: Profile, back cover
G4-8	Sales markets	AR ¹ : Markets, page 17, CSR Update: Profile, back cover
G4-9	Size of the reporting organisation	AR ¹ : Key figures, pages 6-9, Markets, page 17, Brands, pages 18-19, CSR Update: Key figures 4-5
G4-10	Distribution of workforce	AR ¹ : Key figures, pages 6-9, FrieslandCampina and its employees, page 54
G4-11	Employees subject to a CLA	In the Netherlands, 90 percent of the employees are subject to a CLA. This mainly concerns employees with a permanent employment contract.
G4-12	Description of the delivery chain of the organisation	CSR Update: The value chain, pages 16-17 CSR Update: Guidelines for suppliers, page 33 Royal FrieslandCampina N.V. discerns two groups: the member dairy farmers of Zuivelcoöperatie FrieslandCampina U.A. for milk and suppliers of agricultural raw materials, packaging, systems, office supplies, catering, etc.
G4-13	Significant changes during the reporting period	No significant changes in the organisation's scope occurred in the reporting year. Also see: CSR Update: Appendix 1. Reporting principles, pages 35-36
G4-14	Explanation of the application of the precautionary principle by the reporting organisation	AR ¹ : pages 57-58, FrieslandCampina extensively sets out the key identified risks in its Annual Report. The risks vary for each region.
G4-15	Externally developed economic, environmental and social charters, principles that the organisation is committed to	CSR Update: Certification, page 32 In 2016, FrieslandCampina scored 172 points on the Transparency Benchmark, securing the 47th place. The Company's score on the World Business Council for Sustainable Development benchmark Reporting Matters was 51.4 percent.
G4-16	Memberships of associations (including sector boards) and national and international special interest organisations	CSR Update: Partnerships, pages 29-30 See: https://www.frieslandcampina.com/en/sustainability/csr-cases/memberships-collaboration-and-covenants/
Material issues and demarcation		
G4-17	Companies in the annual financial statements that are not subject to this report	AR ¹ : pages 140-141
G4-18	Process for determining the content and specific demarcation	CSR Update: Appendix 1.2 Determining the content, page 35
G4-19	Material issues determined	CSR Update: Appendix 1.2 Determining the content, page 35
G4-20	Demarcation for each material issue within the organisation	All information relating to the policy, strategy and the relevant indicators concerns Royal FrieslandCampina N.V., unless indicated otherwise in the report. However, please note that FrieslandCampina and its activities cannot be separated from its environment. Most material issues therefore have both an internal and external impact. CSR Update: Appendix 1. Reporting principles, pages 35-36
G4-21	Demarcation of the external material issues	See: G4-20
G4-22	Consequences of a possible redefinition of information	CSR Update: Appendix 1. Reporting principles, pages 35-36. The data has not been estimated.
G4-23	Significant changes compared to previous reporting periods	CSR Update: Appendix 1.3. Definitions and measuring methods, page 36 No significant changes were made to the scope and boundary relating to the previous reporting period.

¹ 2016 Annual Report of Royal FrieslandCampina N.V.

Indicator	Description	Reference
Consultation with stakeholders		
G4-24	List of stakeholders involved	CSR Update: Dialogue with stakeholders, pages 27-29
G4-25	Starting points for inventory/selection of stakeholders	CSR Update: Dialogue with stakeholders, pages 27-29
G4-26	How stakeholders are involved	CSR Update: Dialogue with stakeholders, pages 27-29 The Executive Board has final responsibility for contact with the FrieslandCampina stakeholders. The CEO, CFO and COO's have been actively involved in the dialogue between the Board and the member dairy farmers of Zuivelcoöperatie FrieslandCampina U.A. (the Shareholder) and the investors.
G4-27	Key topics and issues that resulted from the consultation with the stakeholders	CSR Update: Dialogue with stakeholders, pages 27-29 Please refer to the following webpages for opinions of external stakeholders relating to the CSR performance: - Agriterra: https://www.frieslandcampina.com/en/sustainability/csr-cases/frieslandcampina-and-agriterra-to-continue-partnership/ - Dutch Food Banks: https://www.frieslandcampina.com/en/sustainability/csr-cases/partnership-frieslandcampina-and-association-of-dutch-food-banks/ - Dairy Development Programme and FDOV case: https://www.frieslandcampina.com/en/blogs/cooperation-cooperatives-sustainable-milk-production/ - Drink.Move.BeStrong-campaign https://www.frieslandcampina.com/en/blogs/frieslandcampina-campaign-healthy-lifestyle-south-east-asia/
Reporting profile		
G4-28	Reporting period that the information provided relates to	1 January - 31 December 2016
G4-29	Date of the most recent previous report	The 2015 CSR report was published in May 2016.
G4-30	Reporting cycle	Annually
G4-31	Contact for questions regarding the report	If you have any questions or comments, please send an e-mail to: corporate.communication@frieslandcampina.com .
G4-32	GRI application level and GRI table	CSR Update: Appendix 1. Reporting principles, pages 35-36 In 2016, FrieslandCampina started the transition to integrated reporting. The intention is to publish an integrated report in the year 2018.
G4-33	Policy relating to assurance	CSR Update: Appendix 1. Reporting principles, pages 35-36 FrieslandCampina uses an internal audit team in order to ensure the reliability and completeness of the data reported. Auditors receive a training programme followed by frequent update courses.
Management structure		
G4-34	The management structure of the highest decision-making body and the committees that are responsible for decision-making relating to social, environmental and economic impacts	AR '16: pages 68-73, CSR Update: Nourishing by nature Governance Board and CSR implementation teams, page 27
Ethics and integrity		
G4-56	Standards, values, principles, and standards of conduct applied	CSR Update: Product quality & food safety, standards and guidelines, pages 32-33
Specific indicators		
Better products (G4, aspect: Health of users)		
DMA	(a) Notes to the materiality per issue, (b) Management's handling of material issue and its impact, (c) Evaluation of the management's approach	CSR Update: Better nutrition - Better products, page 18, Nourishing by nature Governance Board and CSR implementation teams, page 27 and Appendix 4. Glossary and reporting definitions, page 43
FP6	Percentage of the full sales volume of consumer products in which the quantities of saturated fat, trans-fat, sodium or added sugars have been reduced	CSR Update: Better nutrition - Better products, page 18

¹ 2016 Annual Report of Royal FrieslandCampina N.V.

Indicator	Description	Reference
Responsible marketing		
DMA	(a) Notes to the materiality per issue, (b) Management's handling of material issue and its impact, (c) Evaluation of the management's approach	CSR Update: Better nutrition, page 18, Nourishing by nature Governance Board and CSR implementation teams, page 27 and Appendix 4. Glossary and reporting definitions, page 43
Internal indicator	Television marketing in compliance with the EU Pledge guidelines for children	The compliance percentage is available on www.eu-pledge.eu CSR Update: Better nutrition – Responsible marketing communications, page 18
Transparent nutritional value labelling (G4, aspect: Product and Service labelling)		
DMA	(a) Notes to the materiality per issue, (b) Management's handling of material issue and its impact, (c) Evaluation of the management's approach	CSR Update: Better nutrition, page 18, Nourishing by nature Governance Board and CSR implementation teams, page 27 and Appendix 1.3. Definitions and measuring methods, page 36
PR3	Type of product and service information required by the organisation's procedures for product and service information and labelling and the percentage of significant product and service categories subject to these procedures	CSR Update: Better nutrition - Responsible labelling, page 18
Healthy lifestyle education		
DMA	(a) Notes to the materiality per issue, (b) Management's handling of material issue and its impact, (c) Evaluation of the management's approach	CSR Update: Better nutrition, page 18, Nourishing by nature Governance Board and CSR implementation teams, page 27 and Appendix 1.3. Definitions and measuring methods, page 36
Internal indicator	Number of children that participated in an education programme regarding healthy nutrition and exercise sponsored or organised by FrieslandCampina	CSR Update: Better nutrition - Education about healthy nutritional and exercising patterns, page 18
Optimal value from milk		
DMA	(a) Notes to the materiality per issue, (b) Management's handling of material issue and its impact, (c) Evaluation of the management's approach	CSR Update: A good living for our farmers, pages 19-20, Nourishing by nature Governance Board and CSR implementation teams, page 27, and Appendix 1.3. Definitions and measuring methods, page 36
Internal indicator	Milk price (EUR/litre)	AR ¹ : pages 23-24
Economic performance and profitability (G4, aspect: Economic performance)		
DMA	(a) Notes to the materiality per issue, (b) Management's handling of material issue and its impact, (c) Evaluation of the management's approach	The Executive Board en de CFO in particular are responsible for FrieslandCampina's financial performance. CSR Update: A good living for our farmers, pages 19-20, Nourishing by nature Governance Board and CSR implementation teams, page 27 and Appendix 1.3. Definitions and measuring methods, page 36
EC1	Direct economic value generated and distributed.	AR ¹ : pages 23-24
Improving quality and quantity of milk through the Dairy Development Programme		
DMA	(a) Notes to the materiality per issue, (b) Management's handling of material issue and its impact, (c) Evaluation of the management's approach	CSR Update: A good living for our farmers, pages 19-20, Nourishing by nature Governance Board and CSR implementation teams, page 27 and Appendix 1.3. Definitions and measuring methods, page 36
Internal indicator	Farmers who participated in a training programme	CSR Update: A good living for our farmers, pages 19-20
Developing knowledge and skills through the Dairy Development Programme		
DMA	(a) Notes to the materiality per issue, (b) Management's handling of material issue and its impact, (c) Evaluation of the management's approach	CSR Update: good living for our farmers, page 20, Nourishing by nature Governance Board and CSR implementation teams, page 27 and Appendix 1.3. Definitions and measuring methods, page 36
Internal indicator	To be determined at a later stage	As from 2017, progress in the Dairy Development Programme will be measured based on the indicators: the number of farmers that participated in a training programme and the average score on Good Dairy Farming Practices (GDFP) in Vietnam, Thailand, Malaysia, Indonesia and Nigeria. These indicators are the basis for reporting.

¹ 2016 Annual Report of Royal FrieslandCampina N.V.

Indicator	Description	Reference
Climate-neutral growth (G4 aspect: Greenhouse gases, Energy)		
DMA	(a) Notes to the materiality per issue, (b) Management's handling of material issue and its impact, (c) Evaluation of the management's approach	CSR Update: Now and for generations to come (incl. dilemma), page 21-26, Nourishing by nature Governance Board and CSR implementation teams, page 27 and Appendix 1.3 Definitions and measuring methods, page 36
EN3	Energy consumption within the organisation	CSR Update: The value chain, pages 16-17
EN5	Energy intensity	CSR Update: Now and for generations to come - Climate-neutral growth, pages 21-22
EN6	Reduction of energy consumption	CSR Update: Now and for generations to come - Climate-neutral growth, pages 21-22
EN15	Direct greenhouse gas emissions (Scope 1)	CSR Update: Now and for generations to come - Climate-neutral growth, pages 21-22
EN16	Indirect greenhouse gas emissions (Scope 2)	CSR Update: Now and for generations to come - Climate-neutral growth, pages 21-22
EN17	Indirect greenhouse gas emissions (Scope 3) ²	CSR Update: Now and for generations to come - Climate-neutral growth, pages 21-22
Sustainable procurement (G4, aspect: Procurement)		
DMA	(a) Notes to the materiality per issue, (b) Management's handling of material issue and its impact, (c) Evaluation of the management's approach	CSR Update: Now and for generations to come, pages 21-26, Nourishing by nature Governance Board and CSR implementation teams, page 27 and Appendix 4. Glossary and reporting definitions, page 43
FP2	Percentage of purchased volume verified as in compliance with credible internationally recognised responsible production standards, specified per standard	CSR Update: Now and for generations to come - Sustainable procurement of raw materials, pages 21, 24
Internal indicator	Percentage of green electricity purchased	CSR Update: Now and for generations to come - Sustainable procurement of raw materials, pages 21, 24
Sustainable production (G4, aspect: Water and Waste)		
DMA	(a) Notes to the materiality per issue, (b) Management's handling of material issue and its impact, (c) Evaluation of the management's approach	CSR Update: Now and for generations to come, pages 21-26, Nourishing by nature Governance Board and CSR implementation teams, page 27 and Appendix 4. Glossary and reporting definitions, page 43
EN8	Total water extraction with source	CSR Update: The value chain, pages 16-17 and Now and for generations to come, pages 21-26
EN23	Total weight of waste per type and processing method	CSR Update: Now and for generations to come, pages 21-26
Pasture grazing ²		
DMA	(a) Notes to the materiality per issue, (b) Management's handling of material issue and its impact, (c) Evaluation of the management's approach	CSR Update: Now and for generations to come, pages 21-26, Nourishing by nature Governance Board and CSR implementation teams, page 27 and Appendix 4. Glossary and reporting definitions, page 43
Internal indicator	Pasture grazing in the Netherlands	CSR Update: Now and for generations to come - Pasture grazing pages 21, 25
Biodiversity ²		
DMA	(a) Notes to the materiality per issue, (b) Management's handling of material issue and its impact, (c) Evaluation of the management's approach	CSR Update: Now and for generations to come, pages 21-26, Nourishing by nature Governance Board and CSR implementation teams, page 27 and Appendix 1.3. Definitions and measuring methods, page 36
Internal indicator	Percentage RTRS or similar certified soy grit	CSR Update: Now and for generations to come - Biodiversity, pages 25-26
Health and Safety (G4, aspect: Occupational Health and Safety and customer Health and Safety)		
DMA	(a) Notes to the materiality per issue, (b) Management's handling of material issue and its impact, (c) Evaluation of the management's approach	CSR Update: Nourishing by nature Governance Board and CSR implementation teams, page 27, Innovation, Health and Safety, employee engagement and involvement of member dairy farmers, Nourishing by nature award, pages 30-31, Product quality and food safety, standards and guidelines, pages 32-33, Compass, page 33 and Appendix 4. Glossary and reporting definitions, page 43. Also see AR 1: pages 33-34
LA6	Type of accident, sick leave percentage, per region or gender	CSR Update: Health & Safety, pages 30-31
PR1	Percentage of significant product and service categories for which health and safety impact was measured	CSR Update: Certification, page 32

¹ 2016 Annual Report of Royal FrieslandCampina N.V.

² Concerns Zuivelcoöperatie FrieslandCampina U.A.

Appendix 3



Assurance report of the independent auditor

To: the Executive Board of Royal FrieslandCampina N.V.

Our conclusion

Based on our review, nothing has come to our attention that causes us to believe that the non-financial information marked with symbol ♦ ('sustainability information') are not prepared in all material respects, in accordance with the Company's reporting criteria.

What we have reviewed

The object of our assurance engagement concerns the sustainability information, as included in table 1 'key figures' and in table 3 'key figures pillar: now and for generations to come' in the 2016 CSR-update of Royal FrieslandCampina N.V. ('the Report'). The sustainability information comprises the following measures marked with symbol ♦:

- Energy consumption
- Water consumption
- Share of sustainable agricultural raw materials
- Green electricity
- Greenhouse gas emission procurement of milk, milk powder and whey (from third parties)
- Greenhouse gas emission production and transport
- Production facilities FSSC 22000 certified
- Number of accidents resulting in sick leave
- Pasture grazing
- Share RTRS-certified soy
- Greenhouse gas emission farms
- Greenhouse gas emission

All other information in the 2016 CSR-update is not in scope of this engagement. Therefore we do not report or conclude on this other information.

We have reviewed these, accompanying sustainability information of Royal FrieslandCampina N.V., Amersfoort for 2016.

The basis for our conclusion

We conducted our assurance engagement, with respect to the sustainability information, in accordance with Dutch law, including the Dutch Standard 3000A 'Assurance engagements other than audits or reviews of historical financial information (attest-engagements)' ('Assurance-opdrachten anders dan opdrachten tot controle of beoordeling van historische financiële informatie (attest-opdrachten)'). This assurance engagement is aimed to provide limited assurance. Our responsibilities under this standard are further described in the section 'Our responsibilities for the assurance engagement' of our report.

Independence

We are independent of Royal FrieslandCampina N.V. in accordance with the the Dutch auditor independence regulations for assurance engagements ('Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten' - ViO) and other relevant independence requirements in the Netherlands. Furthermore we have complied with the Dutch Code of Ethics for Professional Accountants and regulation with respect to Rules of Professional Conduct ('Verordening gedrags- en beroepsregels accountants' - VGBA).

We believe that the assurance information we have obtained is sufficient and appropriate to provide a basis for our conclusion.

Criteria for our assurance engagement

The Company developed its reporting criteria on the basis of the 'G4 Guidelines of the Global Reporting Initiative' (GRI), which are disclosed together with detailed information on the reporting scope and reporting process and methods (appendix 1 'Reporting principles'). We consider the reporting criteria to be relevant and appropriate for our review.

Understanding reporting and measurement methodologies

The information in the scope of this engagement needs to be read and understood together with the reporting criteria, for which the Company is solely responsible for selecting and applying. The absence of a significant body of established practice on which to draw, to evaluate and measure non-financial information allows for different, but acceptable, measurement techniques and can affect comparability between entities and over time.



Responsibilities for the sustainability information and the assurance-engagement

Responsibilities of the executive board

The executive board of Royal FrieslandCampina N.V. is responsible for the preparation of the sustainability information in accordance with the Company's reporting criteria, including the identification of the intended users and the criteria being applicable for the for the purposes of the intended users.

The executive board is also responsible for such internal control as it determines is necessary to enable the preparation of the sustainability information that is free from material misstatement, whether due to fraud or error.

Our responsibilities for the assurance-engagement

Our responsibility is to plan and perform the assurance assignment in a manner that allows us to obtain sufficient and appropriate assurance evidence for our conclusion.

We apply the 'Nadere voorschriften accountantskantoren ter zake van assurance opdrachten (RA/AA)' and accordingly maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and other applicable legal and regulatory requirements.

Our conclusion aims to provide limited assurance that the sustainability information is prepared, in all material respects, in accordance with the Company's reporting criteria. Limited assurance is a high but not absolute level of assurance which makes it possible that we may not detect all misstatements.

Misstatements may arise due to fraud or error and are considered to be material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of users taken on the basis of the sustainability information. The materiality affects the nature, timing and extent of our assurance procedures and the evaluation of the effect of identified misstatements on our conclusion.

Procedures performed

An assurance engagement includes, amongst others, examining appropriate evidence on a test basis. We have exercised professional judgement and have maintained professional scepticism throughout the assurance engagement, in accordance with the Dutch Standard 3000A.

Our main procedures include:

- understanding the systems and processes for data gathering, internal controls and processing of other information, such as the aggregation process of data to the information as presented in the sustainability information;
- interviewing management and relevant staff at corporate for the sustainability strategy and policies;
- interviews with relevant staff responsible for providing the information in the Report, and responsible for carrying out internal control procedures on the data and the consolidation of the data in the Report;
- on a sample basis, reviewing relevant information and internal and external documentation in order to assess the reliability of the sustainability information;
- analytical review of the data and trends;
- reviewing internal and external documentation to determine whether the sustainability information, including the disclosure, presentation and assertions made in the Report, is substantiated adequately;
- assessing the consistency of the sustainability information and the information in the Report not in scope for this assurance report;
- assessing if the sustainability information has been presented in accordance with the Company's reporting criteria.

Amsterdam, 5 May 2017

PricewaterhouseCoopers Accountants N.V.
J.E.M. Brinkman RA

Please note: this review report is an unofficial translation of the official review report in Dutch, signed by J.E.M. Brinkman RA on 5 May 2017

Appendix 4

Glossary and reporting definitions

Dairy Sustainability Framework (DSF)

The Dairy Sustainability Framework (DSF) is a worldwide collaboration project led by the Global Dairy Agenda for Action (GDDA). Various stakeholders in the worldwide dairy sector participate in this project.

Partial pasture grazing

A minimum of 25 percent of the cattle present on a dairy farm must be allowed to graze in the pasture for a minimum of 6 hours a day on at least 120 days per year.

Foqus planet

Foqus planet is the quality and sustainability programme for Zuivelcoöperatie FrieslandCampina U.A.'s member dairy farmers in the Netherlands, Belgium and Germany. It has four key themes and three components. The key themes are: company, cow, feed and milk. These themes are set out in the three components: basic requirements, pasture grazing and sustainable development. Relating to sustainable development, member dairy farmers can be rewarded with the *Foqus planet* allowance.

Greenhouse gas emissions: climate-neutral growth-related greenhouse gas emissions

The net greenhouse gas emissions of FrieslandCampina that are associated with the climate-neutral growth target. This concerns the emissions of the dairy farms, transporting the milk from the farms to the production facilities, transport between the production facilities and to the buyers, based on the *Green Gas protocol* (<http://www.ghgprotocol.org/>). The greenhouse gas emissions are administratively compensated by purchasing Guarantees of Origin (see explanation). The reported greenhouse gas emissions do not include the greenhouse gas emissions from companies acquired after 2010. In terms of volume, the greenhouse gas emissions of these facilities are similar to 0.2 percent of the climate-neutral growth related greenhouse gas emissions.

Guarantees of Origin/Green Certificates

Guarantees of Origin or Green Certificates are certificates issued for each MWh of electricity from renewable energy sources (wind, solar, co-fermentation of biomass, manure fermentation). FrieslandCampina buys such certificates to guarantee that the electricity used in FrieslandCampina production facilities is generated from renewable sources.

GRI-G4

Global Reporting Initiative (GRI) G4 is an international guideline for reporting on sustainability and corporate social responsibility.

ISO standards

A set of standards with specifications that concern the quality management systems of an organisation (ISO 9001), the environmental management systems (ISO 14001) and the implementation of CSR (ISO 26000).

MJA3

The long-term agreements on Energy Efficiency, MJA3, is an agreement between the Dutch government and companies, institutions and municipal authorities relating to more effective and more efficient use of energy.

Accidents resulting in sick leave

The ratio of the number of accidents resulting in sick leave indicates the number of such accidents per 200,000 hours worked. This concerns occupational accidents resulting in at least one calendar day of lost time, excluding the day of the accident. The number of accidents followed by sick leave is calculated as follows: (hours not worked due to accidents/ total number of hours worked) x 200,000.

Percentage of pasture grazing

The percentage of pasture grazing indicates the share of FrieslandCampina dairy farms in the Netherlands that apply full or partial pasture grazing.

RTRS

The Round Table on Responsible Soy is committed to sustainable production of soy.

Trans-fat

Trans-fats that are created by partial hydrogenation of fat (in industrial processes).

Pasture Grazing

Putting all dairy cows present on the dairy farm out to pasture during at least 120 days per year and at least 6 hours per day.



Every day Royal FrieslandCampina provides millions of consumers all over the world with dairy products that are rich in valuable nutrients from milk. With annual revenue of 11.0 billion euros, FrieslandCampina is one of the world's largest dairy companies.

FrieslandCampina produces and sells consumer products such as dairy-based beverages, infant nutrition, cheese and desserts in many European countries, in Asia and in Africa via its own subsidiaries. Dairy products are also exported worldwide from the Netherlands. In addition, products are supplied to professional customers, including cream and butter products to bakeries and catering companies in West Europe. FrieslandCampina sells ingredients and half-finished products to manufacturers of infant nutrition, the food industry and the pharmaceutical sector around the world.

FrieslandCampina has branch offices in 33 countries and employs just under 22,000 people. FrieslandCampina's products find their way to more than 100 countries. The Company's central office is based in Amersfoort, the Netherlands.

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

The Company is fully owned by Zuivelcoöperatie FrieslandCampina U.A., with 18,900 member dairy farmers in the Netherlands, Germany and Belgium one of the world's largest dairy cooperatives.

Royal FrieslandCampina N.V.

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