



**FrieslandCampina**   
nourishing by nature

# Corporate Social Responsibility

## Update 2017

Royal FrieslandCampina N.V.

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## About FrieslandCampina: Company and Cooperative

FrieslandCampina produces and sells consumer products such as dairy-based beverages, infant nutrition, cheese and desserts, in a large number of countries in Europe, Asia and Africa. 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 semi-finished products to manufacturers of infant nutrition, the food industry and the pharmaceutical sector around the world.

FrieslandCampina's member dairy farmers are members of the Zuivelcoöperatie FrieslandCampina U.A.

The Cooperative fully owns the company FrieslandCampina N.V., which is responsible for processing the milk, producing dairy products and selling these products. Through the Cooperative, the 18,645 member dairy farmers collectively own and supervise the company.

*This CSR Update provides insight into the strategy, initiatives and performance of Zuivelcoöperatie FrieslandCampina U.A. and Royal FrieslandCampina N.V. in 2017. With this update FrieslandCampina complies with the technical requirements of the Global Reporting Initiative (GRI). In 2017, FrieslandCampina took steps to integrate its financial performance and sustainability performance.*

# Purpose-driven enterprise

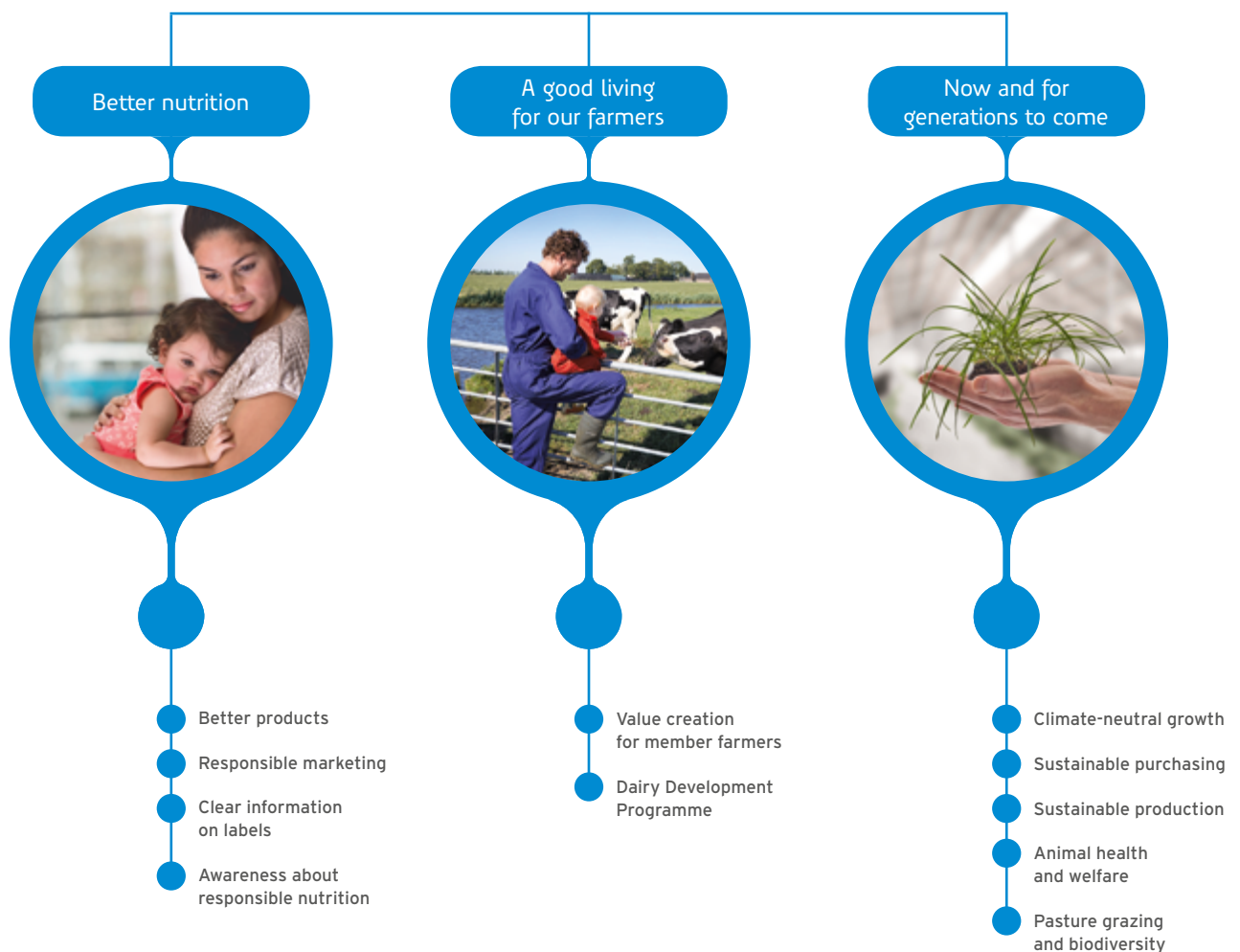
## CSR – integral component of the FrieslandCampina business strategy

**Providing the growing world population with the right nutrients in a sustainable way is one of the challenges for the coming decades. By offering trustworthy, relevant and nourishing dairy products, FrieslandCampina contributes to 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.**

These three pillars form the basis of FrieslandCampina's strategy. CSR themes are linked to these pillars, including performance indicators to measure progress. This way the CSR strategy is fully integrated into FrieslandCampina's sustainable growth strategy and value creation, and the CSR pillars directly contribute to the business objectives. As such, FrieslandCampina makes a contribution to the realisation of a number of the Sustainable Development Goals (SDGs) of the United Nations. For additional information about FrieslandCampina's business strategy visit FrieslandCampina's website at <https://www.frieslandcampina.com/en/organisation/strategy-route2020>

## nourishing by nature

### CSR-themes



## Better nutrition

The global population is expected to grow from 7.6 billion people in 2017 to over 9.8 billion by 2050. This, together with the increase in wealth, will result in an increased demand for food. With its dairy products, FrieslandCampina contributes to feeding the world's population over the long term. The focus is on improving product recipes and on ensuring dairy products remain affordable and thus relevant for all income groups. FrieslandCampina is transparent in informing consumers about its products and supports education programmes about healthy nutrition. This is in line with two of the United Nations' Sustainable Development Goals (SDGs): 'Zero Hunger' (SDG 2) and 'Good health and well-being' (SDG 3).

### Balanced product range

FrieslandCampina aims for a good balance between consumer products subdivided into 'basic nutritional products for daily consumption' and 'self-indulgent products for occasional consumption'. This is reported on the basis of sales volume. The objective each year is to achieve a proportion of at least 70 percent basic nutritional products and therefore a maximum of 30 percent 'self-indulgent products for occasional consumption'.

### Product composition

Milk naturally contains important nutrients, such as protein and calcium, that FrieslandCampina as much as possible wants to retain in its products. According to the WHO, in the fight against diseases of affluence (obesity and nutrition-related diseases) it is important to limit the intake of sugar, salt and fat. FrieslandCampina aims to limit the concentration of these nutrients in its products. The criteria for trans fat, saturated fat, added sugar and salt are borrowed from the criteria of Choices International, developed by independent scientists.

The number of calories and the quantity of salt, added sugar, fat and protein to be met by a product depends on the type of product (for example, a milk product, cheese, butter or meat substitute). But also on its place in daily nutrition (basic food products for daily consumption, self-indulgent products or products for a specific target group). The FrieslandCampina Global Nutritional Standards are scientific nutritional criteria that FrieslandCampina's consumer products are expected to comply with.

### Responsible marketing communications

FrieslandCampina is committed to responsible marketing communications. For example, this means that advertising aimed at children up to twelve 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).

### 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. In addition, the nutritional value table contains information per 100 grams/ml, as well as per portion, together with information about the contribution of the nutrients in relation to the daily reference intake.

Also see FrieslandCampina's website:

<https://www.frieslandcampina.com/en/sustainability/better-nutrition-for-the-world/responsible-marketing-communications/>

### Education about healthy nutritional and exercising patterns

FrieslandCampina invests in consumer awareness of a healthy lifestyle by distributing information on nutrition and exercise throughout the world. The FrieslandCampina Institute offers nutrition and health professionals information on dairy, food and health based on scientific insights. This occurs in various countries and via various communication channels, including the FrieslandCampina Institute's website [www.frieslandcampinainstitute.com](http://www.frieslandcampinainstitute.com)

## A good living for our farmers

FrieslandCampina's goal is to add as much value as possible to the milk so as to make the maximum possible contribution to farmers' incomes and the continuity of dairy farms for subsequent generations. This value creation becomes evident in the level of the performance premium and the issue of member bonds, which are paid on top of the guaranteed price FrieslandCampina's member dairy farmers receive for their milk. This way FrieslandCampina remains an attractive company for member dairy farmers. FrieslandCampina has more than 140 years of experience in the dairy farming sector and applies the knowledge gained to help dairy farmers in countries in Asia, Africa and Eastern Europe to further develop their farms. This is in line with the United Nations' Sustainable Development Goal: 'Decent work and economic growth' (SDG 8).

### Milk price methodology and profit appropriation

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 2017–2019, 55 percent of the profit attributable to the shareholder, based on the guaranteed price, is added to the Company's equity. 35 percent of the profit is paid to member dairy farmers as a performance premium and 10 percent is paid to member dairy farmers in the form of member bonds. The issue of member bonds is based on the value of the milk supplied in the relevant financial year.

### Dairy Development Programme

With its Dairy Development Programme (DDP), 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.

## Now and for generations to come

FrieslandCampina is working on the retention of pasture grazing, continuous improvement of animal health and animal welfare, and the preservation of biodiversity. The aim is to reduce the use of scarce natural resources such as water, raw materials and fossil fuels. FrieslandCampina aims to keep the emission of greenhouse gases in 2020 equal to 2010 levels. This also applies in case of an increase in milk production. This includes the greenhouse gases released at member dairy farms, during transport from the farm to production facilities and when the dairy is processed. To achieve climate-neutral growth, FrieslandCampina is working on creating 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. FrieslandCampina's purchase of renewable electricity certificates from member dairy farmers stimulates them to generate sustainable energy, for example with wind turbines, solar panels or biomass. In addition, FrieslandCampina is working on the continuous improvement of animal health and animal welfare, and the preservation of biodiversity.

These elements of the strategy are in line with two of the United Nations' Sustainable Development Goals: 'Affordable and clean energy' (SDG 7) and 'Responsible consumption and production' (SDG 12).

### Sustainable production

By 2020, in all of its branches throughout the world, FrieslandCampina wants to be using 100 percent renewable energy from renewable sources such as wind, solar and biomass, and have as much as possible of this energy generated by member dairy farms. FrieslandCampina wants to keep the Company's water consumption per tonne of product by 2020 equal to or below 2010 levels. Targets have been set for this purpose by production facility. In the area of sustainability, FrieslandCampina closely works together with suppliers and other companies in the dairy and energy sectors, and in the areas of waste treatment, consultancy, transport and water purification, and with government bodies, universities and universities of applied sciences.

### Sustainable procurement of raw materials

FrieslandCampina has set increasingly high standards relating to sustainability and origin in the procurement of raw materials. In addition to milk, FrieslandCampina also uses other agricultural raw materials for its products. By 2020, the Company aims to limit the procurement of agricultural raw materials and paper packaging to fully sustainably managed sources. Agricultural raw materials that are already (partially) purchased from sustainably

managed sources include products such as cocoa, soy oil, palm oil, cane sugar, starch and paper packaging. These products have globally recognised certificates or they are raw materials for which a plan for sustainable development will be created in cooperation with suppliers.

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 and aims to simultaneously accelerate the implementation of successful sustainable innovations in this sector.

### Pasture grazing

A grazing cow is part of the Dutch cultural landscape. This is what many Dutch citizens consider to be the case, as a result of which the cow contributes to a positive image and to the visibility of the dairy sector. 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 six hours a day on at least 120 days per year, the dairy farmer is entitled to a meadow milk premium of gross 1.50 euros per 100 kilos of milk. Partial pasture grazing is encouraged as well. To qualify for partial pasture grazing, dairy farmers must allow a minimum of 25 percent of the cattle present on their dairy farm to graze in the pasture for a minimum of six hours a day on at least 120 days per year. Partial pasture grazing entitles member dairy farmers to a 0.46 euro premium per 100 kilos of milk. The grazing scheme (partially) is a Cooperative scheme to which all member dairy farmers contribute 0.35 euro per 100 kilos of milk.

### Sustainable soy

Member dairy farmers contribute to a more sustainable cultivation of soy. The animal feed with soy grit purchased by member dairy farmers originates from sustainable sources certified in accordance with the Round Table on Responsible Soy (RTRS) or comparable criteria.

### Greenhouse emissions on member dairy farms

Methane (CH<sub>4</sub>) is released on dairy farms through rumen fermentation and during the storage of animal manure. Nitrous oxide (N<sub>2</sub>O) is released during storage of animal manure and by the conversion of nitrogen fertilisers in the soil. Carbon dioxide (CO<sub>2</sub>) is released during the consumption of fuels and when generating electricity. To provide insight into the total emission of greenhouse gases, methane and nitrous oxide are converted to CO<sub>2</sub> equivalents. 1 kilo of methane (CH<sub>4</sub>) is equivalent to approximately 28 kilos of CO<sub>2</sub> and 1 kilo of nitrous oxide (N<sub>2</sub>O) is equivalent to approximately 265 kilos of CO<sub>2</sub>.

### Animal health and animal welfare

Improving animal health and animal welfare and extending cow life is a key aspect of the Foqus planet programme of the member dairy farmers. Healthy cows that are well taken care of live longer, require fewer veterinary drugs and supply milk more efficiently. All Dutch 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, a mandatory animal health check, and feed and accommodation requirements. For the animal health check, member dairy farmers can choose one of the following three methods to safeguard animal health:

- The Regular Farm Visit: four regular visits per year by a veterinarian. The veterinarian completes a checklist that itemises the animals with health problems.
- The Continuous Animal Health Monitor: monitoring animal health on the basis of data available on animal health and comparisons with national averages. This data includes cattle mortality, calf mortality, health status relating to paratuberculosis, BVD and salmonella, new udder infections and cell count. The veterinarian visits the farm at least twice a year.
- Cow Compass: an integral analysis of the dairy farm that identifies the strengths of the farm, as well as the areas for improvement, for example, feed, water, accommodation and animal welfare. The Cow Compass is completed twice a year by the veterinarian and the dairy farmer.

### Responsible use of antibiotics on farms

Worldwide, antibiotics make a key contribution to countering bacterial infections in both humans and animals. To help prevent antibiotics resistance, the Dutch animal sectors have negotiated agreements with the government relating to the responsible use of antibiotics. In the dairy farming sector, antibiotics may only be applied at the express instruction of a veterinarian and preventive use is prohibited. There has been a steadily declining trend in the use of antibiotics on dairy farms over the past few years. This is the result of the efforts made by FrieslandCampina's member dairy farmers and due to better cooperation with other parties in the dairy chain, including veterinarians. FrieslandCampina fully endorses the sector agreements made with government. At the present time, 99 percent of member dairy farms meets this 2020 target. This is reported in the Sustainable Dairy Chain Sector Report.

### Biodiversity

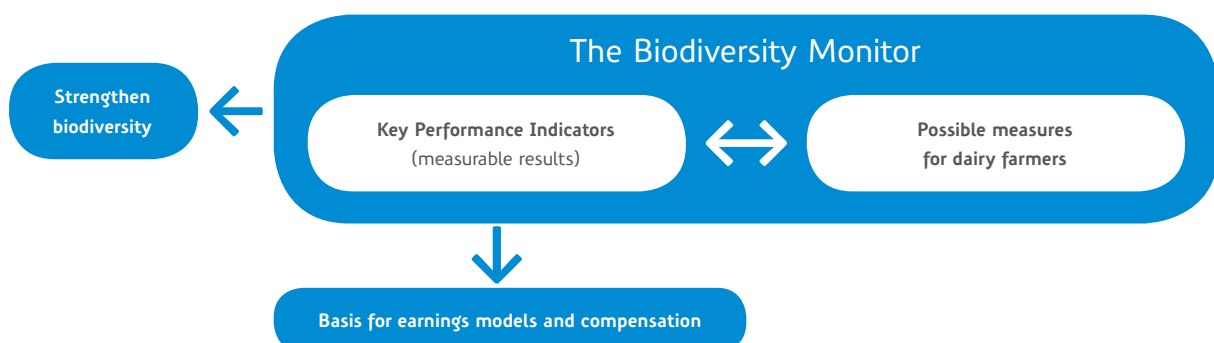
Nature is the engine of every dairy farm. The growth of crops and milk production are dependent on the natural system, and consequently on biodiversity. In addition, society is increasingly focusing on biodiversity. The dairy farming sector manages more than one third of the countryside and consequently is a key determining factor in the landscape. FrieslandCampina and its members have a material interest in strengthening biodiversity. Since 2015, member dairy farmers have been financially compensated for contributing to preserving biodiversity. Dairy farmers that are actively involved in preserving varieties, nature and landscape can earn development points in the sustainability component of the Foqus planet programme. Dairy farms affect biodiversity: on the farm and in the nature conservation areas around the farm. Their influence on biodiversity reaches beyond this as well. For example, through the purchase of feed concentrates. Dairy farmers can do more to positively affect biodiversity than managing the natural environment on their farm alone.

FrieslandCampina, the World Wildlife Fund (WWF) and the Rabobank have developed a methodology to measure the impact of dairy farms on biodiversity. This Biodiversity Monitor is based on the principles of the FAO LEAP and the Natural Capital Protocol.

This instrument uses Key Performance Indicators (KPIs) to measure the performance of a dairy farm in the area of biodiversity and provides insights into possible farming improvements. The KPIs are as follows: greenhouse emissions, nitrogen soil balance, ammonia emissions, share of farmland used for protein production; share of permanent grasslands, and the share of nature and landscape management. This integrated approach to biodiversity is unique in the world. FrieslandCampina, together with member dairy farmers, will be investigating how to make use of this methodology for creating earning models.

### 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 value chain

### Sustainable Development Goals of the United Nations

The United Nations have developed a series of Sustainable Development Goals (SDGs): seventeen ambitious goals relating to topics such as responsible production and consumption, climate, sustainable communities, health and well-being, as well as 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 is in line with a number of the United Nations' Sustainable Development Goals. Our analysis shows that six SDGs in particular are in line with FrieslandCampina's policy and objectives. However, other SDGs are also in line with various components of FrieslandCampina's CSR policy.

FrieslandCampina contributes to:

- SDG 2 Zero hunger
- SDG 3 Good health and well-being
- SDG 7 Affordable and clean energy
- SDG 8 Decent work and economic growth
- SDG 12 Responsible consumption and production
- SDG 17 Partnerships for the goals

FrieslandCampina aims to create value for both its direct stakeholders and society as a whole. In 2017, FrieslandCampina updated its sustainable value creation process and illustrated this in the form of a value creation model (see 'Value Chain'). The model is based on the framework of the International Integrated Reporting Council (IIRC). With this value creation model, FrieslandCampina provides integrated insight into the broader context within which the company operates. The model shows how FrieslandCampina treats the sources required for its business operations.

FrieslandCampina converts raw materials (for example, milk, energy and water) into products that are of value to consumers and clients. As a company and cooperative, we combine the professionalism of our employees with the professionalism and entrepreneurship of our member dairy farmers. Performance indicators provide insight into how FrieslandCampina creates economic, social and environmental-related value. Trends and developments in the company's environment and the risks and opportunities are at the root of this. FrieslandCampina's strategic CSR agenda is determined on the basis of this information and the topics that emerge from the interaction with stakeholders. The way in which value is created for member dairy farmers, consumers, clients and society is shown at the output side of the value creation model.



| Trends & developments                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | Opportunities and risks                                                                                                                                                                                                                                                                                                    | Input                                                                                                                                                                                                                                                                                                    | Business model                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | Output                                                                                                                | Value for members, consumers and society                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | Values for members, consumers and society                                                                                                                                                    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| <br>Growing world population<br><br><br><br>Climate change and scarcity of natural resources<br><br><br>Will there be sufficient farmers to produce the food? | Product quality and food safety<br><br>Geopolitical and economic developments<br><br>Legislation and regulations<br><br>Balanced diet<br><br>Reputation<br><br>Technological development in relation to energy production and -consumption<br><br>Volatility in prices<br><br>Consumer growing awareness of sustainability | <b>Member dairy farmers</b><br>12,707<br><br><b>Milk</b><br>10,716 million kilos<br><br><b>Employees</b><br>23,675<br><br><b>Agricultural raw materials</b><br>55% sustainable procurement<br><br><b>Energy consumption</b><br>16,650 TJ<br><br><b>Water consumption</b><br>27.35 million m <sup>3</sup> | <p><i>nourishing by nature</i></p> <p><b>Better nutrition, a good living for our farmers, now and for generations to come</b></p> <div>  <b>Better nutrition</b> </div> <div> <b>Responsible products:</b><br/>Formulation and implementation of the FrieslandCampina Global Nutritional Standards<br/><br/> <b>Responsible communication:</b><br/>Encouraging health choices based on transparent nutritional value labels and responsible marketing<br/><br/> <b>Healthy lifestyle education:</b><br/>Support nutritional experts, parents, teachers and children in developing a healthy lifestyle         </div> <div>  <b>A good living for our farmers</b> </div> <div>  </div> <div>  <b>Now and for generations to come</b> </div> <div>  <b>Foundation</b> <ul style="list-style-type: none"> <li>Employee engagement</li> <li>Health and safety: 0.55 accidents per 200,000 hours worked</li> <li>Product quality: <i>Foqus</i> programme</li> </ul> </div> | <b>Value creation for member dairy farmers 1.33 euros per 100 kg milk</b><br><br><b>Products</b><br><br><b>Brands</b> | <div>            With its dairy products containing valuable nutrients from milk, FrieslandCampina contributes towards feeding the world's population         </div> <div>            FrieslandCampina strives to pay out one of the highest milk prices in Northwest Europe         </div> <div>            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         </div> <div>  </div> <div>  </div> <div>  </div> <div>           FrieslandCampina focuses on future generations. The aim is to achieve climate neutral growth and reduce the use of scarce natural resources such as water and fossil fuels         </div> | <div>  <b>SDG 2 “End hunger, achieve food security and improved nutrition, and promote sustainable agriculture”</b> <ul style="list-style-type: none"> <li>Being a frontrunner in working towards a circular dairy farm</li> <li>Ambition to become a leader in CO<sub>2</sub> efficiency</li> <li>Ambition to become a energy neutral dairy farm in 2025</li> <li>Collaboration with other sector partners to balance animal and soil</li> <li>Striving towards a balanced life for the cow and continuous development</li> <li>Rewarding and supporting sustainability</li> </ul> </div> <div>  <b>SDG 3 “Ensure healthy lives and promote well-being for all at all ages”</b> <ul style="list-style-type: none"> <li>Infant -, elderly -, medical -, and sports nutrition</li> <li>Welfare for farmers</li> </ul> </div> <div>  <b>SDG 7 “By 2020, ensure universal access to affordable, sustainable and modern energy initiatives”</b> <ul style="list-style-type: none"> <li>FrieslandCampina works in the complete supply chain on energy reduction and -generation (e.g. solar energy)</li> </ul> </div> <div>  <b>SDG 8 “Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all”</b> <ul style="list-style-type: none"> <li>Climate neutral growth</li> <li>Developing other business models (next to milk)</li> </ul> </div> <div>  <b>SDG 12 “Ensure sustainable consumption and production patterns”</b> <ul style="list-style-type: none"> <li>Changing production patterns (see SDG 2)</li> </ul> </div> <div>  <b>SDG 17 “Strengthen the means of implementation and revitalise the global partnership for sustainable development”</b> <ul style="list-style-type: none"> <li>WNF Partnerships</li> <li>SDDDC</li> <li>Knowledge sharing</li> </ul> </div> |

<sup>1</sup> Concerning Zuivelcoöperatie FrieslandCampina U.A.

# CSR – Performance

## Key Figures <sup>1, 2</sup>

**Below is an overview of the performance relating to the most relevant CSR themes for FrieslandCampina and its stakeholders. The performance is set out in accordance with the strategic CSR pillars and themes.**

|                                                                                                                                                                                                                                                    | 2017   | 2016              | Δ %   |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------|-------------------|-------|
| <b>Better nutrition</b>                                                                                                                                                                                                                            |        |                   |       |
| Balanced product supply (basic food products sold as a percentage of the total volume of consumer products sold)                                                                                                                                   | 81     | 76                |       |
| Product composition (as a percentage of the total volume of consumer products that comply with the FrieslandCampina Global Nutritional Standards)                                                                                                  | 64     | 62                |       |
| <b>A good living for our farmers</b>                                                                                                                                                                                                               |        |                   |       |
| Value creation for member dairy farmers (in euros per 100 kilos of milk)                                                                                                                                                                           | 1.33   | 3.44              | -61.3 |
| Local farmers who participate in a training programme in Dairy Development Programme (DDP) countries (number)                                                                                                                                      | 20,347 | 18,752            | 8.5   |
| Local dairy farms that at a minimum received a 'satisfactory' rating in relation to the Good Dairy Farming Practices of the Food and Agriculture Organisation (FAO) of the United Nations in DDP countries (as a percentage of the research group) | 54     | nb                |       |
| <b>Now and for generations to come</b>                                                                                                                                                                                                             |        |                   |       |
| <i>Sustainable production</i>                                                                                                                                                                                                                      |        |                   |       |
| Energy consumption (GJ/tonne product)                                                                                                                                                                                                              | 2.82   | 2.79 <sup>3</sup> | 0.8   |
| Water consumption (m <sup>3</sup> /tonne end product) <sup>4</sup>                                                                                                                                                                                 | 3.40   | 3.68              | -7.6  |
| Greenhouse gas emissions from production and transport (kt CO <sub>2</sub> equivalent)                                                                                                                                                             | 883    | 926               | -4.6  |
| Waste reuse (as a percentage of total)                                                                                                                                                                                                             | 76     | 71                |       |
| <i>Sustainable procurement of raw materials</i>                                                                                                                                                                                                    |        |                   |       |
| Sustainable agricultural raw materials (as a percentage of total volume of raw materials)                                                                                                                                                          | 55     | 43                |       |
| Green electricity (percentage of total electricity consumed)                                                                                                                                                                                       | 80     | 78                |       |
| Greenhouse gas emissions of procurement of milk, milk powder and whey from third parties (kton CO <sub>2</sub> -equivalent)                                                                                                                        | 3,854  | 4,699             | -18.0 |
| FSSC 22000-certified production facilities (as a percentage of total)                                                                                                                                                                              | 88     | 88                |       |
| <i>Dairy Farming</i>                                                                                                                                                                                                                               |        |                   |       |
| Pasture grazing (percentage member dairy farms in the Netherlands applying a form of pasture grazing)                                                                                                                                              | 79.4   | 78.2              |       |
| Sustainable soy (share of RTRS-certified soy in feed concentrates for cows as a percentage of total)                                                                                                                                               | 100    | 100               |       |
| Greenhouse gas emission by member dairy farms (kton CO <sub>2</sub> -equivalent)                                                                                                                                                                   | 12,098 | 13,206            | -8.4  |
| Cow's lifespan (years - months - days)                                                                                                                                                                                                             | 5-6-22 | 5-8-2             |       |
| <i>Safety</i>                                                                                                                                                                                                                                      |        |                   |       |
| Accident ratio (number of accidents per 200,000 hours worked)                                                                                                                                                                                      | 0.55   | 0.78              | -29.5 |

<sup>1</sup> The indicators that fall within the auditor's scope of assurance are marked with the symbol. The indicators under the pillars 'Better nutrition' and 'A good living for our farmers', for the first time in 2017 are within the scope of the auditor's activities. See Appendix 3, Independent Auditor's Assurance Report, for details.

<sup>2</sup> See Appendix 4, Glossary and Reporting Definitions, for the definitions of the indicators.

<sup>3</sup> The calculation method for these indicators was updated in 2017. The relevant historical statistics were revised for this reason.

<sup>4</sup> The scope is the Middle East, Africa and Asia.

## Better nutrition – 2017 results

FrieslandCampina's nutrition policy is based on the World Health Organization (WHO) Global Action Plan. FrieslandCampina works on a healthier product range, is transparent in its communications about its products and supports educational programmes about healthy nutrition. In 2017, all information about FrieslandCampina's nutrition policy, including FrieslandCampina's Global Nutritional Standards, were published on its website: <https://www.frieslandcampina.com/en/sustainability/better-nutrition-for-the-world>

### Balanced product range

The balanced product range is reported on the basis of sales volume. The objective each year is to supply a proportion of at least 70 percent basic nutritional products and therefore a maximum of 30 percent self-indulgent products for occasional consumption. This goal was achieved in 2017, with a ratio of 81 percent to 19 percent.

### Product composition

The largest part of FrieslandCampina's consumer products complies with the FrieslandCampina criteria for elements such as protein, calories, sugar, salt and fat. The objective is that by 2020, at least 65 percent of the products (on the basis of sales volume) complies with the criteria as described in the FrieslandCampina Global Nutritional Standards. In 2017, this was 64 percent.

### Responsible marketing communications

Following the evaluation of the responsible marketing communications policy in 2016, FrieslandCampina further refined its policy in 2017. The policy is posted on FrieslandCampina's website <https://www.frieslandcampina.com/en/sustainability/better-nutrition-for-the-world/responsible-marketing-communications>

### Responsible labelling

At year-end 2017, the energy logo had been added to the front of 83 percent of the relevant consumer packaging. In 2017, the food value labelling standard was evaluated, adjusted and posted on FrieslandCampina's website: <https://www.frieslandcampina.com/en/sustainability/better-nutrition-for-the-world/responsible-marketing-communications>

### Education about healthy nutritional and exercising patterns

In 2017, FrieslandCampina, in South-East Asia, partnered with the Junior National Basketball Association, the worldwide youth basketball programme of the National Basketball Association (NBA, United States). In Vietnam, Thailand, Indonesia, Malaysia, Singapore and the Philippines, parents and teachers were assisted through the Drink.Move.BeStrong campaign in creating awareness among children for the need of engaging in sports and exercise, eating responsibly and living a healthy life. A pilot of this campaign was initiated in Greece in 2017. Parents and children also receive information about healthy nutrition patterns and an active lifestyle via World Milk Day, school milk programmes, Goodness of Dairy campaigns, the Youth at a Healthy Weight (Jongeren op Gezond Gewicht, JOGG) programme and the National School Breakfast programme.

## A good living for our farmers – 2017 results

FrieslandCampina's aims to add as much value to milk as possible. This value creation becomes evident in various ways, for example in the level of the performance premium member dairy farmers receive for their milk on top of the guaranteed price.

### **More money for members, but decreased value creation**

Over 2017, in addition to the guaranteed price, a total of 142 million euros was paid to member dairy farmers (2016: 371 million euros). Of this, the performance premium was 110 million euros (1.03 euros per 100 kilos of milk, excluding VAT). The issue of member bonds over 2017 amounts to 32 million euros (0.30 euro 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 1.33 euros (2016: 3.44 euros), a decline of 61.3 percent. The decrease is due to the adjustment of the profit appropriation and a lower company profit.

For an elaborate description of FrieslandCampina's financial performance and profits in 2017, please refer to page 30 of the 'Report of the Executive Board' section of the 2017 Royal FrieslandCampina N.V. Annual Report. The 2017 Annual Report can be viewed on the FrieslandCampina website <https://www.frieslandcampina.com/en/downloads-2/financial-reports>

### **Dairy Development Programme (DDP)**

In 2017, 20,347 dairy farmers were trained in the context of the DDP, an increase of 8.5 percent compared to 2016. The number of local farmers in nine countries in Africa, Asia and Eastern Europe who are directly or indirectly part of the Dairy Development Programme (DDP) is more than 250,000.

The Big Push programme was initiated in Pakistan in 2017. This programme of the Engro Foods subsidiary and the Punjab Skills Development Fund, focuses on improving milk quality, productivity and the livelihood of 9,000 small dairy farmers in the south of Punjab Province.

A milk collection centre was opened in Saki, Nigeria, in June 2017. Five hundred dairy farmers drop off milk here every day, which is then transported to Lagos.

In Thailand, Malaysia, Indonesia, Nigeria, Vietnam, Uganda and Ethiopia, more than 375 dairy farmers are being trained by FrieslandCampina member dairy farmers as part of the Farmer2Farmer programme. Seventeen FrieslandCampina employees and eighteen member dairy farmers provided advice to forty dairy cooperatives in Asia and Africa during a total of five hundred working days in 2017. They do this during Farmer2Farmer missions and Agripool missions that are (jointly) organised by our partner Agriterra.

In addition, in 2017, for the first time, FrieslandCampina

measured the extent to which dairy farms in DDP countries comply with the Good Dairy Farming Practices of the United Nations Food and Agriculture Organisation (FAO). Of a select focus group of 199 dairy farms in Vietnam, Indonesia and Malaysia, 54 percent scores at least satisfactory.

## Now and for generations to come – 2017 results

FrieslandCampina is working on climate-neutral growth, the retention of pasture grazing, continuous improvement of animal health and animal welfare, and the preservation of biodiversity.

### **Sustainable production**

#### *Energy*

A programme designed to enable FrieslandCampina to reduce its energy consumption by at least 8 percent over a period of four years was initiated in 2017. The programme includes various components, such as the technological process innovations in Leeuwarden and Gerkesklooster to be completed in 2018, that will result in significant reductions. When these projects are started up, they will initially result in higher energy consumption. As a result, energy consumption temporarily increased by 1.8 percent to 2.82 GJ/tonne in 2017.

In addition, in 2017, FrieslandCampina invested in sustainable heating. For example, the production facility in Borculo commissioned a biogas pipeline that transports approximately seven million cubic metres of biogas supplied by a company and the cheese production facility in Balkbrug is fully supplied with steam originating from a wood-fired heating plant that uses prunings as fuel.

#### *Water*

In relation to reducing water consumption, it was decided to focus on countries with water scarcity in the Middle East, Africa and Asia. The water consumed by the production facilities in these regions dropped by approximately 6 percent. The water stewardship programme was initiated in Nigeria. This programme not only focuses on water reserves for production, but also on the immediate environment within the drainage area.

#### *Production and transport greenhouse gas emissions*

The greenhouse gas emissions of production and transport declined by 4.6 percent in 2017. This is primarily due to the increasing quantity of sustainably generated electricity (solar panels and wind energy), produced by member dairy farmers.

#### *Waste*

FrieslandCampina aims to reduce its waste and collaborates with waste processors to increase recycling and the reuse of waste. In 2017, FrieslandCampina reused or recycled 76 percent of its production waste. That is an improvement of 5 percentage points in comparison to 2016. This is mainly due to improvements in waste flow separation in the Netherlands. Ten percent of the waste is incinerated

to produce electricity. Fourteen percent of the waste goes to landfills. The registration of the waste flows from production facilities in countries outside Europe has been significantly improved through monthly reporting, which provides better insight into the dumping of waste. FrieslandCampina aims to reuse more waste and reduce the dumping of waste worldwide to nil by 2020.

### **Climate-neutral growth**

FrieslandCampina is committed to climate-neutral growth by keeping greenhouse gas emissions in 2020 equal to or lower in comparison to 2010. This includes the greenhouse gases released at member dairy farms during transport from the farm to production facilities and when the dairy is processed. In 2017, the emissions were 12,981 Ktonnes (2016: 14,132 Ktonnes). The objective for 2020 is to limit the total emission of greenhouse gases to be less than or equal to 11,681 Ktonnes of CO<sub>2</sub> equivalent. In spite of the decrease last year, reducing the emission of greenhouse gases requires attention to be able to realise the climate-neutral growth objective by 2020.

### **Sustainable procurement of raw materials**

#### *Sustainable agricultural raw materials*

In 2017, the share of raw materials purchased from sustainably managed sources increased to 55 percent. This represents an increase of 12 percentage points compared to 2016. The share of cane sugar purchased from sustainably managed sources increased by 16 percentage points. Starch increased by 21 percentage points and paper packaging by 14 percentage points. The latter is due to the increase in the purchase of sustainable corrugated cardboard.

In 2017, FrieslandCampina used the scores from the BICEPS Rating System for shipping companies as an additional selection criterion in the procurement of sea freight. The BICEPS Network was doubled to ten participating companies in 2017. In addition, innovation sessions on renewable fuels and fuel efficiency techniques were organised.

#### *Green electricity*

2017 is the first year in which all of FrieslandCampina's production facilities in Europe made 100 percent use of green electricity. This represents 80 percent of the total worldwide electricity consumption. Almost 30 percent of all green electricity is purchased from our members. As part of the Solar project, FrieslandCampina in 2017 applied for a grant for 800,000 solar panels. Of this, over half has since been awarded. Over 5,800 solar panels have since been installed (this is equivalent to the electricity consumption of approximately 450 households). In addition to the purchase

of green electricity, some production facilities also directly generate solar energy on their roofs. In addition, two sites were added last year that were directly connected to a biosteam or green gas pipeline of innovative companies in the region. This reduces the demand for natural gas.

*Greenhouse gas emissions from the procurement of third-party milk, milk powder and whey*

The greenhouse gas emissions from the procurement of milk, milk powder and whey decreased by 18 percent to 3,854 kt in 2017. The main reason is the decrease in the purchase of third-party milk powder as a raw material for dairy products.

*Production facilities FSSC 22000 certified*

FSSC 22000 is an internationally recognised standard for food safety assurance. In 2017, 88 percent of the production facilities was in compliance with this standard. This percentage stayed the same in comparison to 2016. FrieslandCampina's target is to have all its production facilities certified by 2020.

**Dairy farming**

*Pasture grazing*

In 2017, 79.4 percent of member dairy farmers in the Netherlands practiced some form of grazing. This represents an increase of 1.2 percentage points in comparison to 2016. The target for 2020 is 81.2 percent. In 2017, 314 member dairy farmers used pasture grazing for their dairy cattle for the first time.

*Sustainable soy*

In 2017, 100 percent of the soy purchased was in compliance with the RTRS certificate.

*Greenhouse gas emissions on member dairy farms*

The emission of greenhouse gases on the farms of member dairy farmers decreased by 8.4 percent. The average greenhouse gas emission of a Dutch dairy farm is 1.13 kilo of CO<sub>2</sub> equivalent per kilo of milk. This calculation was established by Wageningen Economic Research and FrieslandCampina R&D.

*Cow's lifespan*

The Cooperative encourages its member dairy farmers to extend the cows' lifespan by 6 months by 2020 in comparison to 2011. In 2011, the lifespan was five years, eight months and eleven days. At year-end 2017, this was five years, six months and 22 days. This represents a minor decrease in comparison to 2016. This can be explained by the mandatory reduction of the livestock herd mandated by

the phosphate legislation, whereby mostly the older cows were disposed.

**Safety**

In 2017, the number of accidents resulting in sick leave at FrieslandCampina sites stabilised at 40 (2016: 36). In 2017, the measurement and management of the 'number accidents resulting in sick leave' was expanded to include the 'number of accidents resulting in work adjustment' and the 'number of accidents requiring medical treatment' (collectively the 'total number of accidents'). The total number of accidents decreased by 24 percent to 169 accidents (2016: 223). The total number of accidents per 200,000 hours worked decreased from 0.78 to 0.55. In 2017, the main causes of accidents were related to:

1. Unsafe behaviour: acting too fast (with good intentions: to prevent the process from being interrupted);
2. Falling, tripping, slipping (falling from stairs, slippery floors);
3. Machinery (interventions in rotating parts, exposure to steam, hot liquids, pressure, electricity, etcetera);
4. Internal transport (forklift truck and pallet truck collisions).

In 2017, additional attention was devoted to the safety of temporary employees and suppliers, explosion safety through means of a global ATEX Programme, accident analyses and extracting the lessons learned from incidents.

# CSR – Implementing and securing

## CSR Organisation

**Each day, FrieslandCampina's employees work on implementing and securing the CSR policy within the organisation. This forms the basis for actually managing and making improvements in the area of CSR.**

FrieslandCampina's Executive Board has final responsibility for FrieslandCampina's CSR policy. The development and coordination of this policy are the responsibility of the Corporate Sustainability department. The nourishing by nature Governance Board is responsible for assessment and consultation. This Board meets once a quarter to discuss the progress of the ambitions set out in our purpose – nourishing by nature. This Governance Board is chaired by the Chief Executive Officer (CEO).

Corporate Sustainability has various responsibilities, including:

- Developing and updating the CSR policy;
- Engaging stakeholders in dialogue;
- Coordinating and facilitating the implementation of the CSR policy;
- Involving external stakeholders in the CSR policy;
- Demonstrating sustainability efforts to both internal and external stakeholders;
- Supporting the business groups and operating companies in translating the corporate CSR policy to brand and other policies.

Within the company the business groups and subsidiaries are primarily responsible for implementing the CSR policy.

## Knowledge transfer and awareness

FrieslandCampina is committed to increasing awareness and knowledge of the value chain by engaging stakeholders, including member dairy farmers, in a dialogue.

FrieslandCampina advises and supports them in the area of milk quality and sustainability initiatives through means of the Foqus planet programme. Examples include promoting pasture grazing and aiming for a longer dairy cow lifespan. Options for increasing the feasibility of manure fermentation are currently being explored. In addition, monitoring instruments are currently being developed or further developed that provide member dairy farmers with insight into sustainability themes, such as the Phosphate Production Planner, the Biodiversity Monitor (jointly developed with the World Wide Fund for Nature (WWF) and the Rabobank), the Carbon Footprint Tool and the Kringloopwijzer (livestock life cycle management guide). Finally, members organised information meetings ('deep dives') on biodiversity, background articles on sustainability appeared in the 'Melk' (Milk) member magazine, and meetings were organised on other sustainability themes. FrieslandCampina supports regional study groups, such as the Vruchtbare Kringlopen Achterhoek (productive livestock life cycle management in the Achterhoek region).

## Dialogue

In order to chart stakeholder expectations and keep up to date with all current and relevant developments, FrieslandCampina maintains regular contact with its key stakeholders. This concerns member dairy farmers, employees, customers, suppliers, government bodies, financiers, NGOs and society in general. By engaging these stakeholders in dialogue, FrieslandCampina collects information about issues that are of importance to specific groups and identifies the most relevant issues for these groups. FrieslandCampina refines its CSR policy on the basis of this information.

### **Sustainable development through partnerships (SDG 17)**

FrieslandCampina understands that many sustainable development goals can only be achieved through cooperation with partners. Within the dairy sector, such as the Dairy Sustainability Framework, but also beyond this. For additional information about FrieslandCampina's partners visit FrieslandCampina's website:

<https://www.frieslandcampina.com/en/sustainability/csr-cases>

### **In dialogue with stakeholders**

FrieslandCampina is continuously in dialogue with a wide range of stakeholders with diverging interests. These discussions take place by employees at all levels within the organisation and often form part of their daily work. The table on page 17 provides an overview of the stakeholders with which FrieslandCampina maintained contact in 2017. The type of dialogue is also recorded, as well as the topics of discussion and the ambitions and actions arising from this.

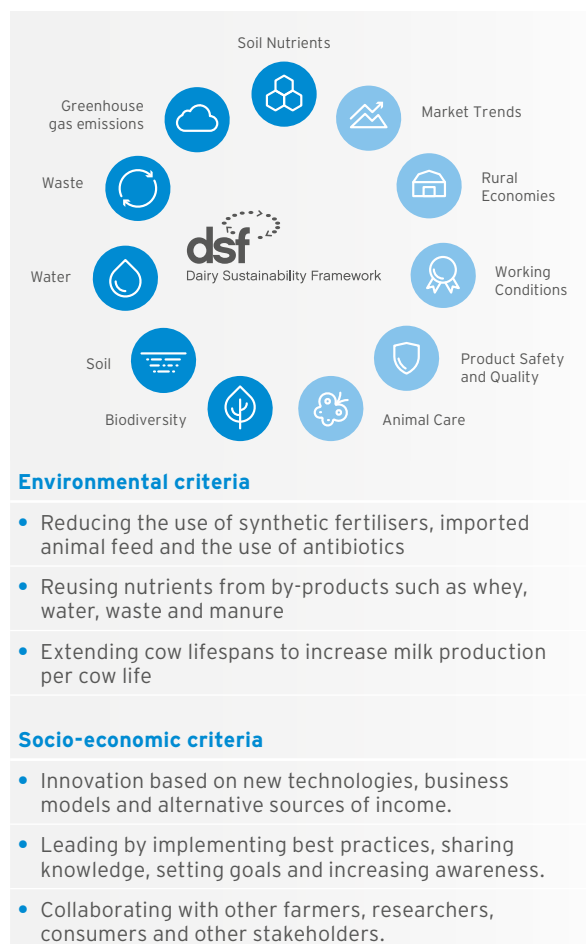
| Stakeholders                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | Topics of Discussion                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | Actions and Outcomes                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Non-governmental organisations (NGOs) and interest groups</b> <ul style="list-style-type: none"> <li>Nederlandse Zuivel Organisatie (Netherlands Dairy Organisation, NZO)</li> <li>Duurzame zuivelketen (Sustainable Dairy Chain, DZK)</li> <li>Global Dairy Platform (GDP)</li> <li>World Wide Fund for Nature (WWF)</li> <li>Solidaridad</li> <li>Stichting Natuur &amp; Milieu (Nature &amp; Environment Foundation)</li> <li>Greenpeace</li> <li>Dierenbescherming (Animal Protection)</li> <li>Compassion in World</li> <li>Agriterra</li> <li>Bill and Melinda Gates Foundation</li> <li>Circulair Economy organisatie</li> <li>JOGG</li> <li>Platform Sterke Botten (Strong Bones Platform)</li> <li>Taste Lessons, Corpus</li> <li>Jr. NBA</li> </ul> | <ol style="list-style-type: none"> <li>Progress on sustainability agenda of the Sustainable Dairy Chain, NZO and GDP</li> <li>Sustainability of palm oil used in products</li> <li>Sustainability of selected fruit varieties</li> <li>Assurance that soy in animal feed is produced sustainably on the basis of the RTRS criteria</li> <li>Interpretation of the term biodiversity within the dairy farming sector</li> <li>Lifestyle education programmes and taste lessons</li> </ol> | <ol style="list-style-type: none"> <li>The results and progress on targets and objectives were discussed, and valuable input was received during this process</li> <li>Additional steps were taken in the separate processing of sustainable palm oil</li> <li>In collaboration with Solidaridad, criteria for sustainable fruit varieties were defined</li> <li>NZO organised a broader implementation of the sustainable soy initiative in surrounding countries. As a result, as of 2015, all feed concentrates for cows comply with RTRS criteria in the Netherlands</li> <li>FrieslandCampina developed a Biodiversity Monitor in collaboration with the WWF and the Rabobank</li> <li>Pilots and updates of lifestyle education programmes: taste lessons were aligned with latest recommendations and new ideas were discussed. Sixteen school classes visited Corpus. Jr. NBA in Malaysia, Thailand, Indonesia, Vietnam and the Philippines</li> </ol> |
| <b>Science</b> <ul style="list-style-type: none"> <li>Top Institute for Food and Nutrition</li> <li>Wageningen LEI</li> <li>Knowledge institutes, government and companies in the Top Agri &amp; Food sector</li> <li>Harakopio University, Finland</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | <ol style="list-style-type: none"> <li>Improving the reliability of sustainability data, for example in the Kringloopwijzer (a livestock life cycle management guide)</li> <li>Research into improvements in the nutritional value of dairy products</li> <li>Development of education programmes on nutrition and exercise for primary schools</li> </ol>                                                                                                                               | <ol style="list-style-type: none"> <li>Improved calculations concerning the Kringloopwijzer, enabling dairy farmers to better manage the mineral recycling loop</li> <li>Support for the further development of the Biodiversity Monitor in the DZK PPP construction</li> <li>Harokopio University developed a programme and implemented a pilot for ten primary schools in Athens</li> </ol>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| <b>Employees</b> <ul style="list-style-type: none"> <li>Central Works Council</li> <li>Year-end evaluations</li> <li>Safety communications programme</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | <ol style="list-style-type: none"> <li>FrieslandCampina's social responsibility as employer</li> <li>Health and safety of employees</li> </ol>                                                                                                                                                                                                                                                                                                                                           | <ol style="list-style-type: none"> <li>Each business group and production facility based its own action plan on the results of the Over2You survey that are relevant and applicable</li> <li>Ongoing communications programme on work safety</li> </ol>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| <b>Zuivelcoöperatie FrieslandCampina U.A.'s member dairy farmers</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | <ol style="list-style-type: none"> <li>The key themes of the Foqus planet programme: farm, cow, feed and milk.</li> <li>Value creation for member dairy farmers.</li> <li>Generation of green electricity and installation of solar panels on farms</li> <li>Development of the Cooperative's Milk with Added Value vision</li> </ol>                                                                                                                                                    | <ol style="list-style-type: none"> <li>With the Foqus planet programme, FrieslandCampina rewards member dairy farmers for pasture grazing and sustainability</li> <li>Value creation for member dairy farmers was 1.33 euros per 100 kilos of milk in 2017</li> <li>Grant application submitted in 2017: over 800,000 solar panels. Grant awarded: over 400,000 solar panels. Already installed: over 5,800 solar panels (equivalent to consumption of approximately 450 households)</li> <li>Member meetings in which the elements of the Cooperative's vision on Milk with Added Value were explained and input was received</li> </ol>                                                                                                                                                                                                                                                                                                                      |

| Stakeholders                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | Topics of Discussion                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | Actions and Outcomes                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Government bodies and local authorities</b> <ul style="list-style-type: none"> <li>The Clean and Economic Agricultural Sectors Covenant, and the Sustainable Livestock Farming Implementation Agenda</li> <li>Permit issuing institutions</li> <li>Dutch dairy sector</li> <li>Ministry of Health, Welfare and Sport (VWS) and Ministry of Agriculture, Nature and Food Quality (LNV)</li> <li>Ministry of Education, Greece</li> <li>Department of Education, Malaysia</li> <li>Ministry of Health, Indonesia</li> <li>Ministry of Health, Pakistan</li> </ul> | <ol style="list-style-type: none"> <li>Progress of goals adopted from the Clean and Economic Agricultural Sectors Covenant, and the Sustainable Livestock Farming Implementation Agenda</li> <li>Progress of the individual environmental permits</li> <li>Prevention agreement education programmes and front-side packaging labelling</li> <li>Marketing focused on children</li> <li>FrieslandCampina's role in addressing diseases of affluence, malnutrition and food security</li> <li>Sugar reduction roadmap for the European Union. Contact as part of the Drink.Move.BeStrong campaign</li> </ol> | <ol style="list-style-type: none"> <li>FrieslandCampina complies with the objectives agreed upon in accordance with the long-term agreements on energy efficiency (MJA3 agreement)</li> <li></li> <li>Input was provided about the reformulation, labelling, nutrient profiles and the prevention agreement through membership in FNLI, NZO and EDA</li> <li></li> <li>FrieslandCampina was present at conferences such as the Responsible Business Forum in April 2017 and ARoFIIN in September 2017</li> </ol>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| <b>Buyers</b> <ul style="list-style-type: none"> <li>Dairy Sustainability Framework (DSF)</li> <li>SAI Platform</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                         | Demonstrable sustainability of the sector and dairy products                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | As a member of the Dairy Sustainability Framework (DSF) and together with international colleague dairy companies and large international dairy customers, the SAI Platform developed a model for making dairy demonstrably sustainable                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
| <b>Suppliers</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | <ol style="list-style-type: none"> <li>Criteria for sustainable agricultural raw materials as part of supplier audits</li> <li>Purchase and generation of green electricity</li> </ol>                                                                                                                                                                                                                                                                                                                                                                                                                      | <ol style="list-style-type: none"> <li>FrieslandCampina collaborates with its suppliers in developing plans for sustainability in the procurement of agricultural raw materials. This is part of the KPI sustainable procurement, which was further developed this year</li> <li>FrieslandCampina has frequent contact with significant suppliers as part of the Fokus planet programme</li> </ol>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
| <b>Nutrition and health experts</b> <ul style="list-style-type: none"> <li>Sports dieticians</li> <li>Paediatricians</li> <li>European Federation of the Associations for Dietitians (EFAD)</li> <li>Platform Sterke Botten (Strong Bones Platform)</li> </ul>                                                                                                                                                                                                                                                                                                     | <ol style="list-style-type: none"> <li>Sports and nutrition</li> <li>Health of children and taste development</li> <li>Sustainable diets</li> <li>Strong bones</li> <li>Milk fats</li> <li>Nutrition for the elderly</li> <li>Malnutrition</li> </ol>                                                                                                                                                                                                                                                                                                                                                       | <ol style="list-style-type: none"> <li>The FrieslandCampina Institute is engaged in activities in Belgium and Great Britain focused on nutrition and sports professionals. In the Netherlands, FrieslandCampina, together with the Association for Sports Dieticians and the sector association for fitness professionals (Fit!vak), is involved in the Sports &amp; Nutrition convention on the role of nutrition in sports</li> <li>The FrieslandCampina Institute developed e-learning for children's and other dieticians, paediatric nurses and paediatricians. During the European Federation of the Associations of Dieticians (EFAD) conference, the FrieslandCampina Institute organised a mini-symposium on the importance of nutrition in sports and recovery</li> <li>The FrieslandCampina Institute organised expert meetings on protein quality and the importance of sufficient high-quality protein for different age groups, where we received feedback on our affordable nutrition criteria</li> <li>FrieslandCampina is a partner of the Strong Bones Platform and organised the 'Jump for Your Bones' event for parents and children in Corpus to focus attention on the importance of strong bones</li> </ol> |

## Dairy Sustainability Framework

The Dairy Sustainability Framework (DSF) was launched by the international dairy sector in 2013. It is a methodology for dairy producers and dairy processors to demonstrate the increasing sustainability of the international dairy sector. Dairy companies use a performance ladder to provide insight into the level at which the sustainability policy has been implemented as part of their management system on the basis of the DSF. As a DSF member, FrieslandCampina has committed to integrate the sustainability policy into its business strategy, which will demonstrably result in making the dairy products it produces continuously more sustainable. Apart from the obligation of implementing sustainability, the Company has also committed to take all eleven DSF sustainability themes into consideration. This approach is supervised by the SAI Dairy Working Group (combination of dairy processors and major customers). The approach will be tested by a number of participants in the SAI Dairy Working Group in 2018, together with international food companies that purchase dairy. Various elements of the Dairy Sustainability Framework are embedded into our purpose *nourishing by nature* and the Foqus planet quality and sustainability programme for member dairy farmers.

For additional information visit DSF's website [www.dairysustainabilityframework.org](http://www.dairysustainabilityframework.org)  
Companies participating in the pilot should visit [www.dairysustainabilityplatform.org](http://www.dairysustainabilityplatform.org)



### Dairy Declaration of Rotterdam

In Rotterdam, during the World Dairy Summit in October 2016, the Dairy Declaration of Rotterdam was signed by the International Dairy Federation and the Food and Agriculture Organisation (FAO). At year-end 2017, milk producers that collectively are responsible for approximately half of the global milk production had signed this declaration. This declaration recognises the important role of dairy as part of a balanced nutritional diet, as an engine for employment and as a source of income for approximately 1 billion people throughout the world. In many countries, dairy offers women in particular an opportunity to strengthen their position. The dairy sector uses natural resources, such as land, water, nutrients and energy, and plays a key role in agricultural land management. The declaration furthermore emphasises the importance of sustainable development and the associated role of the dairy sector from a social, economic, ecological and health perspective. As such, the declaration supports the role of the dairy sector in achieving the Sustainable Development Goals. FrieslandCampina is a signatory to the Dairy Declaration of Rotterdam. FrieslandCampina's strategy is fully aligned with the agreements formulated within the international dairy sector.

## Innovation and quality

### Innovation

FrieslandCampina's innovations are focused on the realisation of sustainable growth and the health and well-being of consumers. Specific Research & Development programmes focus on improvements in the dairy farming sector and in the area of sustainability. In 2017, FrieslandCampina invested 81 million euros in research & development activities.

### Packaging

FrieslandCampina has a programme designed to constantly reduce the impact of its packaging. The following initiatives are examples of investments in new technology that reduces the environmental impact. A new PET production line for Landliebe and Vifit has been installed. This line makes it possible to reduce the weight of the packaging by 15% and to use 30% R-Pet. FrieslandCampina has invested in a new packaging line for Milner cheese slices. This new resealable packaging has a 60 percent lower carbon footprint. Apart from investments in new technologies, the impact is also being reduced through standardisation. By standardising the yoghurt cups for the West European market, we are saving 45 tonnes of plastics and 10 tonnes of aluminium annually.

### Increased sustainability

Processes, products and dairy farming are becoming increasingly sustainable. FrieslandCampina saves significant quantities of energy in the milk drying process through heat recovery. FrieslandCampina has developed a practical model for dairy farmers that calculates the emission of greenhouse gases for the milk produced on individual dairy farms. The model uses data about various aspects, such as farm size, feed composition, use of artificial fertilisers, herd characteristics and energy generation. The results provide dairy farmers with better insight into how the emission of greenhouse gases associated with milk production can be reduced. In 2018, the model was made available to members in the Netherlands, Belgium and Germany. Members are encouraged to use the model through means of the Foqus planet quality system. Dairy farmers are supported to reduce the greenhouse gases on their farm with the help of this instrument.

In 2018, innovations are foreseen in various areas, such as sustainability, infant nutrition, sports nutrition, coffee and tea creamers, and a further reduction in sugar, salt and calories. The company is collaborating with other organisations in various areas, for example with Wageningen University & Research.

### Quality

FrieslandCampina, together with the Cooperative's member dairy farmers, controls the entire production chain: from the farm up to and including the end-product, i.e. from grass to glass. FrieslandCampina uses its own integrated quality system, Foqus, to safeguard the safety and quality of its products throughout the entire production chain. Through means of Foqus, FrieslandCampina provides consumers, customers and governments the guarantee that the products and production processes comply with strict requirements pertaining to food safety, quality, safety, working conditions, fire safety and the environment. Through an extensive programme of training and audits, Foqus is safeguarded and continuously monitored at production facilities, member dairy farmers and suppliers of raw materials.

FrieslandCampina developed the Golden Quality Rules in 2016. These rules encourage all employees to even better meet the quality expectations of customers and consumers. The Golden Quality Rules ensure that product and process quality is safeguarded even more effectively and efficiently.

The Golden Quality Rules, supported by an internal communication campaign, were introduced at all locations in 2017. Part of this initiative is the presentation of Golden Quality Certificates to production facilities that have not had any quality incidents for at least one year, and that scored well in the Foqus audit.

The Golden Quality Rules are:

- Satisfied consumers and customers;
- Qualified and committed people;
- Robust processes;
- Clean and efficiently organised work areas;
- Sustainable implementation of changes and resolution of problems;
- Reliable data;
- Professional partners and suppliers.

The Foqus module for member dairy farmers (Foqus planet) gives priority to safeguarding quality and food safety. In addition, stimulating pasture grazing and sustainability in the dairy farming sector is key. Different programmes, linked to financial compensation, are used to provide the necessary incentives.

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 planet. This way FrieslandCampina's customers, 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 FrieslandCampina reviews the Foqus requirements and makes adjustments as necessary, so that the system is always in line with legislation and the latest knowledge and insights.

**Compass**

In 2017, FrieslandCampina once again focused the attention of its employees on Compass, its Code of Conduct for good business behaviour, and the Speak UP procedure. New employees attend an introduction session and must complete mandatory e-learning about Compass and Speak Up. Employees complete mandatory e-learning and training courses about Compass topics that are relevant to their position, such as fair competition practices, fair business practices and the privacy/protection of personal data. The Compass Code of Conduct and the Speak Up procedure are available on FrieslandCampina's website.

## Sustainable Development Goals and CSR Data

| Sustainable Development Goals                                                                                                                                                                                                  | FrieslandCampina's Contribution                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | Details                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|  <p><b>SDG 2 - End hunger, achieve food security and improved nutrition, and promote sustainable agriculture</b></p>                          | <ul style="list-style-type: none"> <li>Promoted sustainable agriculture among member dairy farmers through the Foqus planet programme and provided remuneration in the form of premiums</li> <li>Pasture grazing 79.4%</li> <li>Green certificates CO<sub>2</sub> premium</li> <li>1,2 CO<sub>2</sub>-equivalent emission per kilo of milk in the Netherlands</li> <li>20.347 foreign farmers trained by the Dairy Development Programme</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | <p><b>SDG 2.1 - End hunger by 2030 for everyone</b><br/>Collaboration with the Red Cross for offering emergency relief in the form of food;<br/>Maintaining the availability of dairy products, so as to remain relevant to all income groups</p> <p><b>SDG 2.3 - Double agricultural productivity and double the incomes of small-scale food producers by 2030</b><br/>Implemented several modernised milk collection centres in Indonesia in the context of the Dairy Development Programme. 10 percent income and production improvement in three months</p> <p><b>SDG 2.4 - By 2030, guarantee sustainable food production systems and implement resilient agricultural practices that serve to increase productivity and production</b><br/>Foqus planet programme rewards dairy farmers for implementing sustainable agricultural practices</p> |
|  <p><b>SDG 3 - Ensure healthy lives and promote well-being for all at all ages</b></p>                                                        | <ul style="list-style-type: none"> <li>Improved consumer products by reducing sugar and salt in accordance with the FrieslandCampina Global Nutritional Standards. Balanced product range: 81 percent. Product composition: 64 percent</li> <li>Responsible marketing for children in accordance with the EU Pledge agreements</li> <li>Improved nutritional value information on product labels</li> <li>Education about healthy lifestyle, food and exercise</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | <p><b>SDG 3.4 - By 2030, reduce by one third premature mortality from non-communicable diseases through prevention and treatment</b><br/>The Drink.Move.BeStrong campaign with education on healthy lifestyle, food and exercise is now active in six Asian countries</p> <p>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</p>                                                                                                                                                                                                                                                                                                                                      |
|  <p><b>SDG 7 - Ensure universal access to affordable, sustainable and modern energy services</b></p>                                         | <ul style="list-style-type: none"> <li>Green electricity: 80% of total</li> <li>Foqus planet energy scan at farms</li> <li>Jumpstart, initiative for mono-manure fermentation at farms</li> <li>As part of the Solar project, FrieslandCampina in 2017 applied for a grant for 800,000 solar panels for member dairy farmers</li> <li>Almost 30 percent of all green electricity is purchased from members</li> </ul> <p><b>2020 Objectives</b></p> <ul style="list-style-type: none"> <li>Emission of greenhouse gases same as or lower than in 2010</li> <li>Reward farmers for generating green energy based on green certificates and reduced CO<sub>2</sub> emissions: 10 euros per ton of less CO<sub>2</sub></li> </ul>                                                                                                                                                                                                                                                                                                                                                               | <p><b>SDG 7.2 - By 2030, substantially increase the share of renewable energy in the global energy mix</b><br/>Jumpstart, initiative for mono-manure fermentation at farms</p> <p>Of the planned 800,000 solar panels, 5,800 have since been installed</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
|  <p><b>SDG 8 - Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all</b></p> | <ul style="list-style-type: none"> <li>Climate-neutral growth</li> <li>Value creation in 2017 (supplement to the guaranteed price for milk) for member dairy farmers was 1.33 euros per 100 kilos of milk</li> <li>Employees: 23,675</li> <li>Member dairy farms: 12,707</li> <li>Compass code for good business conduct</li> <li>Foqus quality programme and Foqus SHE safety programme</li> <li>Accidents resulting in sick leave per 200,000 hours worked: 0.55 (2016: 0.78)</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | <p><b>SDG 8.6 - By 2020 substantially reduce the proportion of youth not in employment, education or training</b><br/>Young Farmers Programme Indonesia (part of the Dairy Development Programme). Long-term dairy farming training programme for young people in Indonesia</p> <p><b>SDG 8.8 - Protect labour rights and promote safe and secure working environments for all workers</b><br/>Foqus and Compass</p>                                                                                                                                                                                                                                                                                                                                                                                                                                  |
|  <p><b>SDG 12 - Ensure sustainable consumption and production patterns</b></p>                                                              | <ul style="list-style-type: none"> <li>Share of sustainable agricultural raw materials: 55% of total</li> <li>Share of RTRS-certified soy: 100%</li> <li>Waste reuse/recycling: 76% of total</li> <li>Water consumption per tonne of finished product delivered: 7.6%</li> </ul> <p><b>2020 Objectives</b></p> <ul style="list-style-type: none"> <li>100% procurement of agricultural raw materials and paper packaging from fully sustainably managed sources</li> <li>Water consumption same as or lower level than in 2010</li> <li>Waste dumping reduced to zero</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | <p><b>SDG 12.5 - By 2030, substantially reduce waste generation through prevention, reduction, recycling, and reuse</b><br/>Waste reuse/recycling</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
|  <p><b>SDG 17 - Strengthen the means of implementation and revitalise the global partnership for sustainable development</b></p>            | <ul style="list-style-type: none"> <li>Dutch Lady Vietnam is building the twentieth school in Vietnam in the context of Dèn Dom Dóm</li> <li>Collaboration with Jr. NBA for healthy youths in South-East Asia</li> <li>Collaboration with Dutch food banks</li> <li>Jumpstart mono-manure fermentation: collaboration with Groen Gas Nederland, Duurzame Zuivelketen (Sustainable Dairy Chain, DZK), the Dutch Federation of Agricultural and Horticultural Organizations (LTO) and the Dutch Dairy Association (NZO)</li> <li>AgriTerra partnership for the Agripool and Farmer2Farmer programmes</li> <li>Collaboration with the Red Cross for offering emergency relief in the form of food</li> <li>Signatory to the International Dairy Federation (IDF) and Food and Agriculture Organisation (FAO) partnership relating to the approach to resolving malnutrition, enhancing sustainability in the chain and providing support to small farmers</li> <li>Collaboration within the Global Dairy Platform relating to the nutrition and dairy development areas of endeavour</li> </ul> |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |

# Appendix I

## Reporting Principles

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

### 1.1 Scope

The scope of this report includes Royal FrieslandCampina N.V. and its consolidated subsidiaries, and the Zuivelcoöperatie FrieslandCampina U.A.

Information originating from acquisitions completed during any reporting year is not included until the next full calendar year. Information with respect to activities that are divested during any reporting year are not included in the reporting on that year.

### 1.2 Determining the reporting content

FrieslandCampina applies the materiality principle to determine which issues should be included in the reporting that are relevant to FrieslandCampina and its stakeholders. At year-end 2017, a new materiality definition was implemented that served as the basis for this report. The materiality analysis consists of the following steps:

#### Step 1: Recalibration of relevant themes

To maintain insight into trends and developments, and where necessary objectives, and refine policy, the material themes were recalibrated this year. The following sources were used as a basis for this:

- Previous FrieslandCampina annual reports and insights;
- The GRI guidelines and the sector appendix for dairy processing and food processing;
- The ISO 26000 guidelines.

Internal experts in the area of corporate social responsibility and stakeholders have made a substantive contribution. The result is a modified list of 31 relevant themes. A theme is relevant when FrieslandCampina has or can have influence on it. This applies within the Company, as well as in the value chain.

#### Step 2 - Prioritising the themes

Next, the relevant themes are prioritised and the themes to be included in the materiality matrix are determined. The prioritisation makes a distinction between internal priorities and external stakeholder priorities. The internal priorities are once again determined by internal experts. To determine the external priorities this year, an online questionnaire with the identified relevant themes was presented to a broader group of external stakeholders, such as regulatory authorities, suppliers, professional experts, customers and NGOs.

#### Step 3 - Impact on policy and reporting

We decided to use a from-the-outside-in approach to recalibrate our material themes. This means that the questionnaire included topics that are important to our stakeholders with respect to FrieslandCampina's core tasks. The outcome of this analysis was included in determining the themes on which FrieslandCampina will be focusing in 2018. The material issues form the basis of FrieslandCampina's CSR strategy and therefore of the content of this report. The Materiality Matrix identifies the material issues, and shows 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 the 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.

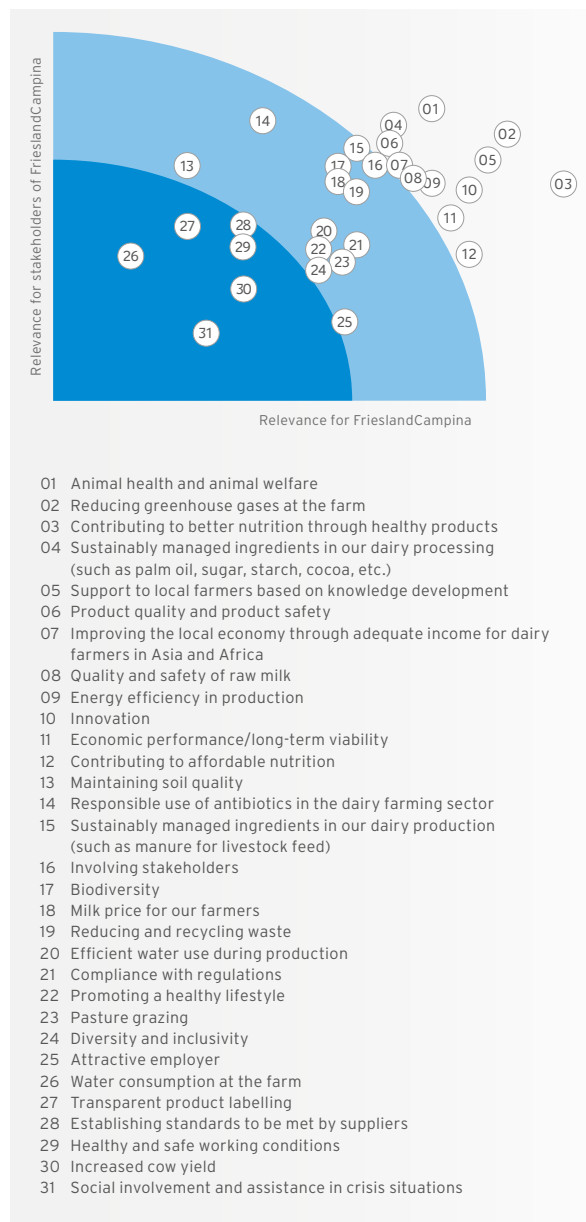
Environmental and HR data is retrieved from the central financial data system on a monthly basis.

No material 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 are indicated accordingly with the data. For the definition of the terms in this report, see Appendix 4: Glossary and Reporting Definitions.

### 1.4 Externe assurance

The auditor, PricewaterhouseCoopers auditor N.V., issued an assurance report for a selection of CSR indicators for the 2017 FrieslandCampina CSR Update. These indicators are marked with the symbol  in the tables with key figures. The independent auditor's assurance report is contained in Appendix 3, Assurance Report.

Materiality Matrix



## Interrelationship of CSR strategy and material issues

| Strategic pillar                                                                                               | FrieslandCampina's CSR themes                          | Material issues                                                                                                                                                                                                                                                   |
|----------------------------------------------------------------------------------------------------------------|--------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Better nutrition</b>                                                                                        | Better products                                        | 3. Contributing to better nutrition through healthy products<br>12. Contributing to affordable nutrition<br>22. Promoting a healthy lifestyle                                                                                                                     |
|                                                                                                                | Responsible marketing                                  | 3. Contributing to better nutrition through healthy products<br>22. Promoting a healthy lifestyle                                                                                                                                                                 |
|                                                                                                                | Transparent nutritional value - labelling              | 27. Transparent product labelling                                                                                                                                                                                                                                 |
|                                                                                                                | Healthy lifestyle education                            | 22. Promoting a healthy lifestyle                                                                                                                                                                                                                                 |
| <b>A good living for our farmers</b>                                                                           | Optimal value from milk                                | 18. Milk price for our farmers                                                                                                                                                                                                                                    |
|                                                                                                                | Economic performance and profitability                 | 11. Economic performance/long-term viability                                                                                                                                                                                                                      |
|                                                                                                                | Improving quality and quantity of milk through the DDP | 10. Innovation<br>6. Product quality and product safety<br>8. Quality and safety of raw milk<br>30. Increased cow yield                                                                                                                                           |
|                                                                                                                | Developing knowledge and skills through the DDP        | 5. Support to local farmers based on knowledge development<br>10. Innovation<br>7. Improving the local economy through adequate income for dairy farmers in Asia and Africa                                                                                       |
| <b>Now and for generations to come</b>                                                                         | Climate-neutral growth                                 | 2. Reducing greenhouse gases at the farm<br>9. Energy efficiency in production                                                                                                                                                                                    |
|                                                                                                                | Sustainable procurement                                | 4. Sustainably managed ingredients in our dairy processing (such as palm oil, sugar, starch, cocoa, etc.)<br>15. Sustainably managed ingredients in our dairy production (such as manure for livestock feed)<br>28. Establishing standards to be met by suppliers |
|                                                                                                                | Sustainable production                                 | 9. Energy efficiency in production<br>19. Reducing and recycling waste<br>20. Efficient water use during production<br>26. Water consumption at the farm                                                                                                          |
|                                                                                                                | Pasture grazing                                        | 23. Pasture grazing                                                                                                                                                                                                                                               |
|                                                                                                                | Animal health and animal welfare                       | 1. Animal health and animal welfare<br>14. Responsible use of antibiotics in the dairy farming sector                                                                                                                                                             |
|                                                                                                                | Biodiversity                                           | 17. Biodiversity<br>13. Maintaining soil quality                                                                                                                                                                                                                  |
| <b>Foundation</b>                                                                                              |                                                        | <b>Material issues</b>                                                                                                                                                                                                                                            |
| <i>Nourishing by nature Governance Board, CSR implementation teams</i>                                         |                                                        | 3. Contributing to better nutrition                                                                                                                                                                                                                               |
| <i>Dairy Sustainability Framework, dialogue with stakeholders, partnerships, external reporting</i>            |                                                        | 16. Involving stakeholders in the further development of CSR policy<br>31. Social involvement and assistance in crisis situations                                                                                                                                 |
| <i>Health and Safety, employee engagement and involvement of member dairy farmers, CSR training programmes</i> |                                                        | 6. Product quality and product safety<br>29. Healthy and safe working conditions<br>24. Diversity and inclusivity<br>25. Attractive employer                                                                                                                      |
| <i>Product quality and product safety, minimum standards, guidelines for suppliers, business principles</i>    |                                                        | 28. Establishing standards to be met by suppliers<br>21. Compliance with regulations                                                                                                                                                                              |

# Appendix II

## GRI Table

2017 GRI Table for Royal FrieslandCampina N.V. – In accordance with the Core Level of the GRI Standards.

| Indicator                             | Description                                                                                                                                                                     | Reference                                                                                                                                                                                                                                                                                                                       |
|---------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>General Indicators</b>             |                                                                                                                                                                                 |                                                                                                                                                                                                                                                                                                                                 |
| <b>Organisation Profile</b>           |                                                                                                                                                                                 |                                                                                                                                                                                                                                                                                                                                 |
| 102-1                                 | Name of the organisation                                                                                                                                                        | AR <sup>1</sup> : cover sheet                                                                                                                                                                                                                                                                                                   |
| 102-2                                 | Key brands, products and/or services                                                                                                                                            | AR: page 15-16, 137<br>AO <sup>2</sup> : Our brands, page 24-25                                                                                                                                                                                                                                                                 |
| 102-3                                 | Location of the organisation's head office                                                                                                                                      | AR: page 137, CSR Update: Profile, back cover                                                                                                                                                                                                                                                                                   |
| 102-4                                 | Number of countries where the organisation is active                                                                                                                            | AR: Business groups, page 15-16, 137<br>AO: Our markets, page 20                                                                                                                                                                                                                                                                |
| 102-5                                 | Ownership structure and legal form                                                                                                                                              | AR: page 137, CSR Update: Profile, back cover.                                                                                                                                                                                                                                                                                  |
| 102-6                                 | Sales markets                                                                                                                                                                   | AO: Our markets, page 20, CSR Update: Profile, back cover                                                                                                                                                                                                                                                                       |
| 102-7                                 | Size of the reporting organisation                                                                                                                                              | AR: Key figures, page 4, Markets, page 15-16, CSR Update: Key figures, page 10                                                                                                                                                                                                                                                  |
| 102-8                                 | Composition of workforce                                                                                                                                                        | AR: Key figures, page 4, FrieslandCampina and its employees, page 22-23<br>AO: Our employees, page 50                                                                                                                                                                                                                           |
| 102-9                                 | Description of the organisation's supply chain                                                                                                                                  | CSR Update: The value chain, page 8<br>Royal FrieslandCampina N.V. discerns two key groups: the Zuivelcoöperatie FrieslandCampina U.A. member dairy farmers for milk, and suppliers of agricultural raw materials, packaging, systems, office supplies, catering, etc                                                           |
| 102-10                                | Significant changes during the reporting period                                                                                                                                 | No significant changes in the organisation's scope occurred in the reporting year.<br>Also see CSR Update: Appendix 1, Reporting Principles, page 23                                                                                                                                                                            |
| 102-11                                | Explanation of the application of the precautionary principle by the reporting organisation                                                                                     | AR: page 34-40, FrieslandCampina extensively covers the key identified risks in its annual report. The risks vary by region                                                                                                                                                                                                     |
| 102-12                                | Externally developed economic, environmental and social charters, principles endorsed by the organisation                                                                       | CSR Update: Innovation and quality, page 20                                                                                                                                                                                                                                                                                     |
| 102-13                                | Memberships of associations (including sector boards) and national and international special interest groups                                                                    | CSR Update: Sustainable Development Goals and CSR Data, page 22<br>See FrieslandCampina's website:<br><a href="https://www.frieslandcampina.com/en/sustainability/csr-cases/memberships-collaboration-and-covenants/">https://www.frieslandcampina.com/en/sustainability/csr-cases/memberships-collaboration-and-covenants/</a> |
| <b>Strategy</b>                       |                                                                                                                                                                                 |                                                                                                                                                                                                                                                                                                                                 |
| 102-14                                | Explanatory notes from the highest decision-maker                                                                                                                               | AO: Foreword, page 5                                                                                                                                                                                                                                                                                                            |
| <b>Ethics and integrity</b>           |                                                                                                                                                                                 |                                                                                                                                                                                                                                                                                                                                 |
| 102-16                                | Standards, values, principles, and standards of conduct applied                                                                                                                 | CSR Update: Innovation and quality, page 20-21                                                                                                                                                                                                                                                                                  |
| <b>Management structure</b>           |                                                                                                                                                                                 |                                                                                                                                                                                                                                                                                                                                 |
| 102-18                                | 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: page 27-33, CSR Update: Implementing and securing, page 15                                                                                                                                                                                                                                                                  |
| <b>Consultation with stakeholders</b> |                                                                                                                                                                                 |                                                                                                                                                                                                                                                                                                                                 |
| 102-40                                | List of stakeholders involved                                                                                                                                                   | CSR Update: Implementing and securing, page 16                                                                                                                                                                                                                                                                                  |
| 102-41                                | Employees subject to a CLA                                                                                                                                                      | In the Netherlands, 90 percent of employees are subject to a CLA. This mainly concerns employees with a permanent employment contract                                                                                                                                                                                           |
| 102-42                                | Starting points for identification/selection of stakeholders                                                                                                                    | CSR Update: Implementing and securing, page 16-18                                                                                                                                                                                                                                                                               |

<sup>1</sup> 2017 Annual Report of Royal FrieslandCampina N.V.

<sup>2</sup> 2017 Annual Overview of Royal FrieslandCampina N.V.

| Indicator                | Description                                                                      | Reference                                                                                                                                                                                                                                                                                                                                                        |
|--------------------------|----------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 102-43                   | How stakeholders are involved                                                    | CSR Update: Implementing and securing, page 16-18<br>The Executive Board has formal final responsibility for contact with the FrieslandCampina stakeholders. The CEO, CFO and COOs were actively involved in the dialogue between the Executive Board and the member dairy farmers of Zuivelcoöperatie FrieslandCampina U.A. (the Shareholder) and the investors |
| 102-44                   | Key topics and issues that resulted from consultation with stakeholders          | CSR Update: Implementing and securing, page 16-18                                                                                                                                                                                                                                                                                                                |
| <b>Reporting profile</b> |                                                                                  |                                                                                                                                                                                                                                                                                                                                                                  |
| 102-45                   | Companies in the annual financial statements that are not subject to this report | AR: page 113-114                                                                                                                                                                                                                                                                                                                                                 |
| 102-46                   | Process for determining reporting content and specific demarcation               | CSR Update: Appendix 1.2 Determining Reporting Content, page 23                                                                                                                                                                                                                                                                                                  |
| 102-47                   | Material issues identified                                                       | CSR Update: Appendix 1.2 Determining Reporting Content, page 23                                                                                                                                                                                                                                                                                                  |
| 102-48                   | Consequences of a possible redefinition of information                           | CSR Update: Appendix 1. Reporting Principles, page 23-25<br>No estimated dates have been provided                                                                                                                                                                                                                                                                |
| 102-49                   | Significant changes compared to previous reporting periods                       | CSR Update: Appendix 1.3. Definitions and Measuring Methods, page 24<br>No significant changes were made to the scope and demarcation with respect to the previous reporting period                                                                                                                                                                              |
| 102-50                   | Reporting period that the information provided relates to                        | 1 January through 31 December 2017                                                                                                                                                                                                                                                                                                                               |
| 102-51                   | Date of the most recent previous report                                          | The 2016 CSR Update was published in May 2017                                                                                                                                                                                                                                                                                                                    |
| 102-52                   | Reporting cycle                                                                  | Annual                                                                                                                                                                                                                                                                                                                                                           |
| 102-53                   | Contact for questions regarding the report                                       | If you have any questions or comments, please send an e-mail to: <a href="mailto:corporate.communication@frieslandcampina.com">corporate.communication@frieslandcampina.com</a>                                                                                                                                                                                  |
| 102-54                   | GRI application level and GRI table                                              | CSR Update: Appendix 1. Reporting Principles, page 23-25<br>In 2017, FrieslandCampina migrated from the GRI G4 to the GRI Standards                                                                                                                                                                                                                              |
| 102-56                   | Policy with respect to assurance                                                 | CSR Update: Appendix 1. Reporting Principles, page 23-25<br>FrieslandCampina uses an internal audit team to ensure the reliability and completeness of the reported data. Auditors attend a training programme followed by frequent refreshment courses                                                                                                          |

### Specific indicators

#### Animal health and animal welfare

|                    |                     |                                                                                                                                                                                                                              |
|--------------------|---------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| DMA                | Management approach | AR: Doing business based on our purpose, page 19<br>CSR Update: Dairy Sustainability Framework, page 19<br>CSR Update: Sustainable Development Goals and CSR Data, page 22<br>CSR Update: Implementing and securing, page 15 |
| Internal indicator | Use of antibiotics  | CSR Update: Now and for generations to come, page 7                                                                                                                                                                          |
| Internal indicator | Cow's lifespan      | CSR Update: Now and for generations to come, page 14<br>CSR Update: CSR Performance, page 10                                                                                                                                 |
| Internal indicator | Pasture grazing     | AR: Doing business based on our purpose, page 19<br>CSR Update: Now and for generations to come- Results, page 14<br>CSR Update: CSR Performance, page 10<br>AO: Report of the Executive Board, page 57                      |

#### Reducing greenhouse gases at the farm (standards aspect: greenhouse gases, energy)

|       |                                                          |                                                                                                                                                                                                         |
|-------|----------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| DMA   | Management approach                                      | CSR Update: Now and for generations to come (incl. dilemma), page 5<br>CSR Update: Now and for generations to come (incl. dilemma), page 15 and Appendix 1.3 Definitions and Measuring Methods, page 32 |
| 302-1 | Energy consumption within the organisation               | CSR Update: The value chain, page 8                                                                                                                                                                     |
| 302-3 | Energy intensity                                         | CSR Update: Now and for generations to come - climate-neutral growth, page 13                                                                                                                           |
| 302-4 | Reduction of energy consumption                          | CSR Update: Now and for generations to come - climate-neutral growth, page 13                                                                                                                           |
| 305-1 | Direct greenhouse gas emissions (Scope 1)                | CSR Update: Now and for generations to come - climate-neutral growth, page 13-14                                                                                                                        |
| 305-2 | Indirect greenhouse gas emissions (Scope 2)              | CSR Update: Now and for generations to come - climate-neutral growth, page 13-14                                                                                                                        |
| 305-3 | Indirect greenhouse gas emissions (Scope 3) <sup>2</sup> | CSR Update: Now and for generations to come - climate-neutral growth, page 13-14                                                                                                                        |

| Indicator                                                                                                                                          | Description                                                                                                                                                      | Reference                                                                                                                                                                                                                                |
|----------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Contributing to better nutrition through healthy products (GRI Guidelines, aspect: healthy users)</b>                                           |                                                                                                                                                                  |                                                                                                                                                                                                                                          |
| DMA                                                                                                                                                | Management approach                                                                                                                                              | CSR Update: Better nutrition, page 4<br>CSR Update: Implementing and securing, page 15, Appendix IV<br>CSR Update: Glossary, page 32-33                                                                                                  |
| FP6                                                                                                                                                | Percentage of the total sales volume of consumer products in which the quantities of saturated fat, trans-fat, sodium or added sugars have been reduced          | CSR Update: CSR performance, page 10<br>CSR Update: Better nutrition, results 2107, page 11                                                                                                                                              |
| <b>Sustainably managed ingredients in our dairy processing (such as palm oil, sugar, starch, cocoa, etc.) (GRI Standards, aspect: procurement)</b> |                                                                                                                                                                  |                                                                                                                                                                                                                                          |
| DMA                                                                                                                                                | Management approach                                                                                                                                              | CSR Update: Now and for generations to come, page 5<br>CSR Update: Implementing and securing, page 15 and Appendix IV<br>CSR Update: Glossary, page 32-33                                                                                |
| FP2                                                                                                                                                | Percentage of purchased volume verified as being in compliance with credible internationally recognised responsible production standards, specified per standard | CSR Update: Now and for generations to come - results 2107, page 13                                                                                                                                                                      |
| <b>Support to local farmers based on knowledge development</b>                                                                                     |                                                                                                                                                                  |                                                                                                                                                                                                                                          |
| DMA                                                                                                                                                | Management approach                                                                                                                                              | AR: Doing business based on our purpose, page 20<br>CSR Update: A good living for our farmers, page 5<br>CSR Update: Implementing and securing, page 15<br>CSR Update: Definitions and Measuring Methods, page 24                        |
| Internal indicator                                                                                                                                 | Local farmers who participate in a training programme in DDP countries                                                                                           | CSR Update: CSR performance, page 10<br>CSR Update: A good living for our farmers, page 12<br>AO: Dairy Development Programme, page 59                                                                                                   |
| Internal indicator                                                                                                                                 | Local dairy farms that at a minimum received a 'satisfactory' rating in relation to the FAO's Good Dairy Farming Practices in DDP countries                      | CSR Update: A good living for our farmers, page 12<br>AO: Dairy Development Programme, page 59                                                                                                                                           |
| <b>Product quality and product safety (GRI Guidelines: aspect: health and safety at work and customer, health and safety)</b>                      |                                                                                                                                                                  |                                                                                                                                                                                                                                          |
| DMA                                                                                                                                                | Management approach                                                                                                                                              | CSR Update: CSR Implementing and securing, page 15<br>SCR Update: Dairy Sustainability framework, page 19<br>CSR Update: Innovation and quality, page 20-21 and Appendix IV<br>CSR Update: Glossary, page 32-33<br>AR: page 17,18        |
| 403-2                                                                                                                                              | Type of accident, sick leave rate, per region or gender                                                                                                          | CSR Update: Now and for generations to come, results 2017, page 14                                                                                                                                                                       |
| PR1                                                                                                                                                | Percentage of significant product and service categories for which the health and safety impact was measured                                                     | CSR Update: Better nutrition, results 2017, page 11                                                                                                                                                                                      |
| <b>Improving the local economy through adequate income for dairy farmers in Asia and Africa</b>                                                    |                                                                                                                                                                  |                                                                                                                                                                                                                                          |
| DMA                                                                                                                                                | Management approach                                                                                                                                              | AR: Doing business based on our purpose, page 20<br>CSR Update: A good income for our farmers, page 5<br>CSR Update: The value chain, page 9                                                                                             |
| Internal indicator                                                                                                                                 | A good living for our farmers                                                                                                                                    | CSR Update: CSR performance, page 10                                                                                                                                                                                                     |
| <b>Quality and safety of raw milk</b>                                                                                                              |                                                                                                                                                                  |                                                                                                                                                                                                                                          |
| DMA                                                                                                                                                | Management approach                                                                                                                                              | CSR Update: route2020 strategy: sustainable growth and value creation, page 3<br>AR: Risk management framework, page 34-40<br>CSR Update: Innovation and quality, page 20-21<br>CSR Update: Glossary, page 32-33<br>AO: Quality, page 49 |
| Internal indicator                                                                                                                                 | Quality and safety of raw milk                                                                                                                                   | CSR Update: Innovation and quality, page 20-21                                                                                                                                                                                           |

| Indicator                                                                                      | Description                                                 | Reference                                                                                                                                                                                                                                                                                          |
|------------------------------------------------------------------------------------------------|-------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Energy efficiency in production</b>                                                         |                                                             |                                                                                                                                                                                                                                                                                                    |
| DMA                                                                                            | Management approach                                         | AR: Doing business based on our purpose, page 20-21<br>CSR Update: Innovation and quality, page 20<br>AO: Doing business based on our purpose, page 54-56                                                                                                                                          |
| Internal indicator                                                                             | Energy consumption                                          | AR: Doing business based on our purpose, key figures, page 19                                                                                                                                                                                                                                      |
| Internal indicator                                                                             | Greenhouse gas emission production and transport            | AR: Doing business based on our purpose, key figures, page 19                                                                                                                                                                                                                                      |
| Internal indicator                                                                             | Greenhouse emissions on member dairy farms                  | AR: Doing business based on our purpose, key figures, page 19                                                                                                                                                                                                                                      |
| <b>Innovation</b>                                                                              |                                                             |                                                                                                                                                                                                                                                                                                    |
| DMA                                                                                            | Management approach                                         | AR: A word from the CEO, page 4. Report of the Executive Board, page 17-18, 21<br>Governance, page 38<br>AO: Innovation, page 47-48                                                                                                                                                                |
| Internal indicator                                                                             | Investments in Research & Development activities            | AR: Report of the Executive Board, page 17                                                                                                                                                                                                                                                         |
| <b>Economic performance/long-term viability (GRI Guidelines, aspect: economic performance)</b> |                                                             |                                                                                                                                                                                                                                                                                                    |
| DMA                                                                                            | Management approach                                         | The Executive Board, and the CFO in particular, is responsible for FrieslandCampina's financial performance<br>CSR Update: a good living for our farmers, page 5, <i>nourishing by nature</i> Governance Board and CSR implementation teams, page 15<br>Definitions and Measuring Methods, page 24 |
| 201-1                                                                                          | Direct economic value generated and distributed             | AR: page 11-12                                                                                                                                                                                                                                                                                     |
| <b>Contributing to affordable nutrition</b>                                                    |                                                             |                                                                                                                                                                                                                                                                                                    |
| DMA                                                                                            | Management approach                                         | AR: About FrieslandCampina                                                                                                                                                                                                                                                                         |
| Internal indicator                                                                             | Availability of affordable food for broad population groups | CSR Update: The value chain, page 9                                                                                                                                                                                                                                                                |

# Appendix III



## Assurance report of the independent auditor

To: the executive board of Royal FrieslandCampina N.V.

## Assurance report on the non-financial information in the CSR-update 2017

### Our Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the non-financial information included in table 'key figures' in the Corporate Social Responsibility update 2017 of Royal FrieslandCampina N.V. marked with symbol ♦ is 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 non-financial information included in table 'key figures' in the Corporate Social Responsibility update 2017 (hereafter: 'CSR-update 2017') of Royal FrieslandCampina N.V. with the symbol ♦ (hereafter: 'the sustainability information'). The sustainability information comprises the following non-financial information, marked with symbol ♦:

- Balance in product portfolio;
- Product portfolio composition;
- Farmers who participated in a DDP training programme;
- Farmers scoring a minimum of 'good' FAO's Good Dairy Farming Practices in DDP countries;
- Energy consumption;
- Greenhouse gas emissions production and transport;
- Sustainably managed agricultural sources;
- Green electricity;
- Pasture grazing;
- Greenhouse gas emissions farms;
- Incidents rate.

We have reviewed sustainability information in the CSR-update 2017 of Royal FrieslandCampina N.V., Amersfoort for 2017.

### The basis for our conclusion

We conducted our assurance engagement, in accordance with Dutch law, including the Dutch Standard 3000A 'Assurance engagements, other than audits or reviews of historical financial information (attestation-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. We believe that the assurance information we have obtained is sufficient and appropriate to provide a basis for our conclusion.

### Independence and quality control

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

We apply the 'Detailed rules for quality systems' ('Nadere voorschriften kwaliteitssystemen') 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

### Criteria for our assurance engagement

The Company developed its reporting criteria on the basis of the Sustainability Reporting Standards of the Global Reporting Initiative (GRI), which are disclosed together with detailed information on the reporting scope, process and methods in appendix 1 'Reporting principles' and appendix 4 'Glossary'.

The information in the scope of this assurance engagement needs to be read and understood in conjunction with the reporting criteria. The executive board is responsible for selecting and applying these reporting criteria. 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 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 engagement in a manner that allows us to obtain sufficient and appropriate audit evidence for our conclusion.

Our conclusion aims to provide limited assurance. The procedures performed by obtaining a limited level of assurance are aimed at determining the plausibility of information and are less extensive than those performed in obtaining reasonable assurance in an assurance engagement. The performed procedures in this context consisted mainly of gathering information from officers of the entity and applying analytical procedures set out in relation to the information included in the sustainability information. The assurance obtained in assurance engagements aimed at providing limited assurance is therefore significantly lower than the assurance obtained in assurance engagements aimed at providing reasonable assurance.

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**

We have exercised professional judgement and have maintained professional scepticism throughout the assurance engagement, in accordance with the Dutch Standard 3000A, ethical requirements and independence requirements.

Our main procedures include:

- Identifying and assessing the risks of material misstatement of the sustainability information, whether due to errors or fraud, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- Evaluating the appropriateness of the reporting criteria;
- Evaluating whether the sustainability information represents the underlying transactions and events free from material misstatement.
- Interviewing management (or relevant staff) at corporate level responsible for the strategy, policy and performance of sustainability operations.
- Interviewing relevant staff, responsible for providing
  - providing the sustainability information,
  - carrying out internal control procedures on the data, and
  - consolidating the data in the sustainability information.
- Evaluating relevant internal and external documentation, on a test basis, to determine the reliability of the information in the sustainability information;
- An analytical review of the data and trends submitted for consolidation at corporate level.
- Assessing the consistency of the sustainability information and the other information in the CSR-update 2017 not in scope for this assurance report;
- Assessing whether the sustainability information has been prepared 'in accordance' with the Company's criteria.

Amsterdam, 20 april 2018

PricewaterhouseCoopers Accountants N.V.

Original was signed by J.E.M. Brinkman RA

# Appendix IV

## Glossary

### Balanced product range

The subdivision of the product groups is determined on the basis of the product type (for example, milk product, cheese, butter or meat substitute) and its place in daily nutrition (basic food products for daily consumption, self-indulgent products for occasional consumption or products for a specific target group). Each year, FrieslandCampina's consumer product range is calculated as a ratio between basic nutritional products for daily consumption and self-indulgent products for occasional consumption, expressed as a percentage of the total volume of consumer products sold. Also see FrieslandCampina's website <https://www.frieslandcampina.com/en/sustainability/better-nutrition-for-the-world/better-products>

### Dairy Development Programme (DDP) countries

FrieslandCampina has more than 140 years of experience in the dairy farming sector and applies the knowledge gained to help dairy farms in Asia, Africa and Eastern Europe to further develop their farms through the Dairy Development Programme (DDP). The DDP supports local dairy farmers (particularly small farmers), primarily in Indonesia, Thailand, Vietnam, Malaysia, China, Russia, Romania, Nigeria and Pakistan, to improve the quality of their milk, increase the productivity per cow and gain access to the market.

### Partial pasture grazing

Allowing a minimum of 25 percent of the cattle on a dairy farm to graze on at least 120 days per calendar year, in a pasture with a sufficient supply of grass, so that the animals are able to continuously exercise their grazing behaviour.

### Sustainable agricultural raw materials

Raw materials with globally recognised sustainability certificates or products for which a plan for sustainable development is created in cooperation with suppliers.

### Energy efficiency

A service or a product for which no more energy than necessary is used to put it into actual use. As a process requires less energy to achieve the same goal, it is judged to be more efficient.

In this report: the quantity of energy consumed (electricity, natural gas, steam, diesel and oil) in gigajoule (GJ) used to produce one tonne of end product.

### 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, and manure fermentation. FrieslandCampina buys such certificates to guarantee that the electricity used in FrieslandCampina production facilities is generated from renewable sources.

### Good Dairy Farming Practices

The percentage of dairy farms that at a minimum scores 'satisfactory' in terms of the Good Dairy Farming Practices in Dairy Development Programme countries (see below). The Good Dairy Farming Practices are based on the guidelines developed by the Food and Agricultural Organisation (FAO). Each year, a questionnaire is used to conduct a survey among a research group of approximately 200 farmers in Indonesia, Vietnam and Malaysia to determine the percentage of farmers that scores 'satisfactory' in relation to the Good Dairy Farming Practices. This questionnaire differs by country depending on the maturity level of the local dairy sector. The goal is to expand the list of countries surveyed in 2018, to include Thailand and Nigeria.

### Green electricity

Electricity generated from renewable energy sources, such as wind, solar energy, co-fermentation of biomass, manure fermentation, etc.

### Climate-neutral growth-related greenhouse gas emissions

The net greenhouse gas emissions of FrieslandCampina linked to the climate-neutral growth target. This concerns the emissions of dairy farms, the transport of milk from farms to production facilities, and transport between production facilities and customers, based on the Greenhouse Gas protocol ([www.ghgprotocol.org/](http://www.ghgprotocol.org/)). The greenhouse gas emissions are administratively compensated by purchasing Guarantees of Origin (see above). The reported greenhouse gas emissions do not include the greenhouse gas emissions from subsidiaries acquired after 2010. In terms of volume, the greenhouse gas emissions of these production facilities are equivalent to 0.2 percent of the climate-neutral growth-related greenhouse gas emissions.

**Local farmers participating in training in DDP countries**

The number of dairy farmers that participated in a training programme, focused on improving knowledge and skills in the DDP countries: Malaysia, Indonesia, Thailand, Nigeria and Vietnam. The number of dairy farmers trained by Engro Foods in Pakistan, FrieslandCampina Romania, FrieslandCampina China and FrieslandCampina Russia are not yet included, because these programmes are not yet fully integrated into the system used to record performance in terms of the Key Performance Indicators.

**Accident ratio**

The ratio of the total number of accidents resulting in absence from work (at least one calendar day of lost work, excluding the day of the accident), substitute work or medical treatment by emergency services or a family doctor, per 200,000 hours worked. This concerns occupational accidents. The accident ratio is calculated as follows: (total number of accidents / total number of hours worked) x 200,000.

**Product composition**

The share of FrieslandCampina's product range that complies with the criteria for elements such as protein, calories, sugar, salt and fat, as described in the FrieslandCampina Global Nutritional Standards, expressed as a percentage of the total volume of consumer products sold that complies with the FrieslandCampina Global Nutritional Standards. Also see FrieslandCampina's website [www.frieslandcampina.com/app/uploads/sites/2/2017/09/FrieslandCampina-Global-Nutritional-Standards.pdf](http://www.frieslandcampina.com/app/uploads/sites/2/2017/09/FrieslandCampina-Global-Nutritional-Standards.pdf)

**Pasture grazing**

Putting all qualifying dairy cows present on a dairy farm out to pasture during at least 120 days per calendar year for at least 6 hours per day, or a minimum of 720 hours per year, in a pasture with a sufficient supply of grass, so that the animals are able to continuously exercise their grazing behaviour.



### **Healthier and more sustainable nutrition for everyone**

Every day Royal FrieslandCampina provides millions of consumers all over the world with dairy products that are rich in valuable nutrients from milk. With an annual revenue of 12 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 a large number of countries in Europe, Asia and Africa. 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 semi-finished products to manufacturers of infant nutrition, the food industry and the pharmaceutical sector around the world.

FrieslandCampina has branch offices in 34 countries and at year-end 2017 employed a total of 23,675 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 four market-oriented business groups: Consumer Dairy, Specialised Nutrition, Dairy Essentials and Ingredients.

The Company is fully owned by Zuivelcoöperatie FrieslandCampina U.A, and with 18,645 member dairy farmers in the Netherlands, Germany and Belgium is one of the world's largest dairy cooperatives.

#### **Royal FrieslandCampina N.V.**

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