

Communication on Progress

Implementing the UN Global Compact's ten principles in Nordzucker AG, 2014

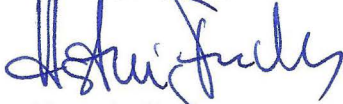
1. Our Commitment to the UN Global Compact's Ten Principles

I am pleased to confirm that Nordzucker AG reaffirms its support for the United Nations Global Compact's ten principles in the areas of human rights, labour, the environment and anti-corruption.

In this annual Communication on Progress, we describe our actions to continually improve the integration of the Global Compact and its principles into our business strategy, culture and daily operations. We also commit to share this information with our stakeholders using our primary channels of communication.

Sincerely yours,

Nordzucker AG

A handwritten signature in blue ink, appearing to read 'Hartwig Fuhs', written over the printed name.

Hartwig Fuhs
Chief Executive Officer

A handwritten signature in blue ink, appearing to read 'Axel Aumüller', written over the printed name.

Axel Aumüller
Chief Operating Officer

2. All Principles

In 2013, Nordzucker developed its Code of Conduct (COC). The COC respects international recognized conventions and principles, including the Global Compact's ten principles. The COC development has been closely linked to the Nordzucker work with company values.

In 2014, Nordzucker's supplier code of conduct was introduced and now forms part of Nordzucker's general terms and conditions.

Nordzucker applies a country and supplier risk assessment for critical suppliers prior to making business with these. The risk assessment focuses on human rights, labour rights and business ethics.

It is the goal to further implement the supplier code of conduct in the coming years.

In 2014, Nordzucker began an update of the sustainability strategy which outlines the strategic themes that are included in the strategy and the nine programmes that Nordzucker is actively working on. The nine programmes are: 1. Sustainable Procurement, 2. Sustainability Communication, 3. Sustainability & Customer Initiatives, 4. Sustainable Agricultural Practices, 5. Community engagement, 6. Safety and Well-being, 7. Footprints, 8. 'Compliance and more' and 9. Sustainability Framework. As part of this work, we have launched a new sustainability website with updated performance figures.

Implementation

Based on a risk assessment, critical suppliers are subject to audits which result in corrective action plans. Nordzucker monitors and follows up on the results of the audits as well as the corrective actions.

The COC has been introduced on management level and in 2014, a company-wide implementation took place. The basis of the implementation was dilemma discussions.

An Ethic's Committee is active and responsible for the on-going development of the policy framework.

Measurements of outcomes

Nordzucker has recorded the number of suppliers identified as critical, the audits performed and the number of major findings related to human rights as well as the effect of the corrective actions.

Link to sustainability microsite: www.nordzucker-growing-together.com

3. Human Rights Principles

Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and

Principle 2: make sure that they are not complicit in human rights abuses.

Assessment, Policy and Goals

See section on “All Principles”.

In addition to a Human Rights Engagement and Corrective Actions Policy developed in 2014, Nordzucker will develop a group guideline on Human Rights in 2015. The development is initiated as a response to the risk assessment of critical suppliers.

Implementation

The policy on human rights has been implemented as part of Nordzucker's supplier procedures and is subject to audits.

Measurements of Outcomes

See section on “All Principles”.

4. Labour Principles

Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;

Principle 4: the elimination of all forms of forced and compulsory labour;

Principle 5: the effective abolition of child labour; and

Principle 6: the elimination of discrimination in respect of employment and occupation.

Assessment, Policy and Goals

Apart from the work with suppliers, Nordzucker has initiated work on work-life balance. This work is part of the general HR work and has clear links to the proactive work on Health & Safety when it comes to the effects of stress. This work, which is clearly linked to Nordzucker's Health & Safety mission: “We want you to be safe and healthy at the workplace. We do not tolerate unsafe work or conditions that impair health”, continues.

Nordzucker has updated the Health and Safety strategy and action plan in 2015.

Implementation

The pro-active Health & Safety work is described in a Health & Safety action plan which has recently been updated. The action plan includes work-life balance which is also part of the regular employee dialogues. The action plan is overseen by production management.

Measurements of Outcomes

See section on “All Principles”. As part of the Health & Safety action plan, new pro-active indicators are being developed.

5. Environmental Principles

Principle 7: Businesses should support a precautionary approach to environmental challenges;

Principle 8: undertake initiatives to promote greater environmental responsibility; and

Principle 9: encourage the development and diffusion of environmentally friendly technologies.

Assessment, Policy and Goals

See section on “All Principles”.

The Energy and Environment Policy, developed in 2013, which specifies what is already expressed in the Code of Conduct, is well implemented. As reported in the last COP, Nordzucker has decided on energy and CO₂ reduction targets for 2020 which are all well on track. The energy reduction target has already been met, and new reduction targets will be decided during 2015. Furthermore, we evaluate the energy and environmental performance of key suppliers as part of our procurement process.

Implementation

Nordzucker continues to invest heavily in energy efficiency and energy reducing technologies. Continuous improvement of our energy and environmental performance is an intrinsic part of the production, and most of our factories are certified according to ISO14001, including energy management.

Measurements of Outcomes

See section on “All Principles”.

6. Anti-Corruption Principles

Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.

Assessment, Policy and Goals

See section on “All Principles”.

As part of the work on business ethics, Nordzucker has mandatory training on competition law. Nordzucker has developed a detailed guideline related to gifts and hospitality and is currently developing a guideline on bribery and corruption.

In 2015, it is our goal to implement a web-based whistleblower hot-line.

Implementation

Implementation will be done through mandatory training.

Measurements of outcomes

See section on “All Principles”.

Statistics on the cases will be handled through the future whistleblower hot-line.