

Communication on Progress

Implementing the UN Global Compact's ten principles in Nordzucker AG, 2015

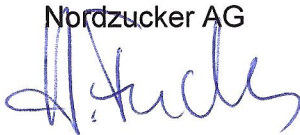
1. Our commitment to the UN Global Compact's Ten Principles

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



Hartwig Fuchs
Chief Executive Officer



Axel Aumüller
Chief Operating Officer

2. All Principles

Nordzucker continues to implement its Code of Conduct (COC) developed in 2013. In 2015 we have focused on specific training of our Sales and Procurement departments in order to secure that we on the one hand meet our customers' demands and on the other transport these and our own demands to our suppliers and control that they are being met.

We review the processes supporting our COC on an on-going basis to secure that these support our commitment to respect international recognized conventions and principles, including the Global Compact's ten principles. In 2015 we especially focused on human rights in general, and forced labour and child labour in specific. This is reflected in the Nordzucker country and supplier risk assessment.

The work with the implementation of our supplier code of conduct continues in the coming years. Here we have a special focus on our beet and cane sugar suppliers. For beet we are implementing the SAI (Sustainable Agriculture Initiative) Platform Farmer Sustainability Assessment, starting with Germany, Sweden and Poland. For sugar cane we continue our active engagement in Bonsucro.

In 2015, Nordzucker finalized the sustainability strategy. We especially focus on 5 areas, i.e. Sourcing & Growing, Production & Quality, Colleagues & Communities, Customers & Consumers, and Purpose & Approach and have a number of actions in place. Late 2015 we concluded our work to identify relevant links and actions related to the Sustainable Development Goals.

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.

In the SAI Platform, Nordzucker is the frontrunner in implementation of the FSA 2.0.

Within sustainability all action plans are being driven through a network organization, named "sustainability practitioners" who work together cross-functionally.

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.

In Germany 100 per cent of our sugar production in 2015 can be referred to as sustainably grown meeting the gold level of FSA 2.0. This level has also been approved by third party verification. In Sweden 86 per cent of sugar production has reached gold and 14 per cent silver level. In Poland we started out with a smaller part of our beetgrowers, representing 35 per cent of the total production and they all reached gold level. As we didn't make use of third party verification in Sweden and Poland the results are non-verified.

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”.

Nordzucker is in the process of developing a policy for child labour remediation. A policy paper for land grabbing is in place.

Implementation

The Human Rights Engagement and Corrective Actions Policy developed in 2014 as well as the policy statement on land grabbing, is now part of the Nordzucker supplier audit concept.

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

The work on work-life balance is continued. 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. Within Health & Safety there is an increased focus on risk assessments.

Implementation

The pro-active Health & Safety work is described in a reviewed Health & Safety action plan updated early 2016. 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”.

In 2014 Nordzucker achieved our previous energy and climate targets ahead of schedule therefor an ambitious new course has now been set. We will reduce energy and CO2 emission by 10 % in 2020 with 2015 as baseline year. One per cent of energy per tonne of sugar should be saved annually; in addition to this, an investment plan has been put in place which includes both short-term (by 2020) and long-term (by 2025) investments that will make a significant contribution - at least five per cent - to energy savings. Since a reduction in energy is closely linked to a decrease in CO2 emissions, it is possible to make a great deal of progress in both areas.

Environment in general continues to be a major focus in our factories and in our work with our farmers delivering beets.

Implementation

The new energy and climate targets are backed by an ambitious investment program 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 and ISO 50001.

As a result of our dedicated work with environment, Nordzucker has achieved considerable improvements. We have a constant focus on increasing sugar yield per hectare with less consumption of fertilisers, pesticides and water emission.

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 about to finalize a mandatory guideline on bribery and corruption.

In 2016, 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.