

Communication on progress

Implementing the UN Global Compact's ten principles in Nordzucker AG, 2016

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 sharing 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 2017, we will introduce new CoC dilemma videos that will be discussed by all employees. We are also initiating a review of our CoC in order to include areas currently covered in add-on policies, such as our policy on land grabbing and our policy on human rights engagement.

We review the processes supporting our CoC on an ongoing basis to secure that these support our commitment to respect internationally recognized conventions and principles, including the Global Compact's ten principles.

In 2016, we started an extensive review and update of our sustainability strategy, including a materiality assessment with stakeholder involvement. We continue to focus on five areas, i.e. Sourcing & Growing, Production & Quality, Colleagues & Communities, Customers & Consumers, and Purpose & Approach and have a number of actions in place.

As part of the review, we will join the European Sustainability Code.

The materiality matrix is the basis for our new sustainability strategy which is to be approved at the end of June 2017. As part of the strategy, we will actively address the UN Sustainable Development Goals 2, 4, 7 and 12 (SDG 2: End hunger, achieve food security and improved nutrition and promote sustainable agriculture; SDG 4: Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all; SDG 5: Achieve gender equality and empower all women and girls; and SDG 12: Ensure sustainable consumption and production patterns).

The work with the implementation and updating 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 and it is now in place in Germany, Sweden, Denmark, Lithuania and Poland. For sugar cane, we continue our active engagement in Bonsucro.

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 on the corrective actions.

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

Within sustainability, all action plans are being driven through an internal network organization, named "sustainability practitioners", who works together cross-functionally. The action projects are being re-adjusted in 2017 as part of the strategy review.

Measurements of outcomes

Nordzucker has recorded the number of suppliers identified as being 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 2016 can be referred to as sustainably grown and meeting the gold level of FSA 2.0. For Poland, we apply a mass balance approach, including around 65% of our production; all included growers are at gold level. In Sweden, Denmark and Lithuania, the levels are between gold and silver. All levels in all countries have been approved by third party verification.

Link to our sustainability microsite: <http://sustainability.nordzucker.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".

A policy paper for land grabbing is in place and is being implemented in the existing supplier code.

Implementation

The Nordzucker Human Rights Engagement and Corrective Actions Policy developed in 2014 as well as the policy paper on land grabbing is now part of the Nordzucker supplier audit concept and will be included in the supplier code of conduct.

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

Nordzucker has developed a policy for child labour remediation.

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 and a new initiative on safety culture has just started.

Implementation

Our new policy on Child Labour Remediation is now part of the Nordzucker supplier audit concept and will be included in the supplier code of conduct.

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, we achieved our previous energy and climate targets ahead of schedule and therefore, 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. As part of our active work with SAI and Bonsucro, we have included a section on sustainable agriculture in our supplier code of conduct.

Implementation

The new energy and climate targets are backed by an ambitious investment programme 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.

The new policy section on sustainable agriculture will be included in the supplier code of conduct in 2017. The statement is already part of our supplier audit setup.

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, a web-based whistleblower hotline has been developed.

Implementation

Implementation will be done through mandatory training. The whistleblower hotline is implemented.

Measurements of outcomes

See section on "All principles".

Statistics on the cases will be handled through the future whistleblower hotline.