

Communication on progress

Implementing the UN Global Compact's ten principles in Nordzucker AG, 2017

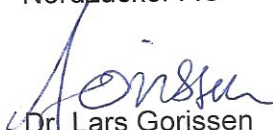
1. Our commitment to the UN Global Compact's ten principles

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



Dr. Lars Gorissen
Speaker of the
Executive Board



Axel Aumüller
Chief Operating Officer

2. All principles

Nordzucker continues to implement its Code of Conduct (CoC) developed in 2013. In 2018, we will introduce new CoC dilemma videos that will be discussed by all employees. In 2017 we concluded an update of our Supplier Code of Conduct and included a number of add-on policies, such as our policy on land grabbing and our policy on human rights engagement. In 2018 we continue our review of our CoC.

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. The update was concluded in 2017 and in 2018 we are designing our specific short and medium term actions and are framing our long-term pathway towards sustainability. In this work we actively address the UN Sustainable Development Goals 2, 4, 8, 12, 13 and 14.

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.

In 2017 we joined the European Sustainability Code.

In relation to the work with the implementation of our Supplier Code of Conduct, we have a special focus on our beet and cane sugar suppliers. For beet, we have implemented the SAI (Sustainable Agriculture Initiative) Platform's Farmer Sustainability Assessment in all our growing countries, i.e. Germany, Sweden, Denmark, Lithuania, Poland, Finland and Slovakia. 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 addition, we are strengthening our supplier approach to include more questionnaires and desk-top audits in addition to the physical audits.

In the SAI Platform, Nordzucker is still the frontrunner in the implementation of the FSA 2.0, where we have reached at least silver level for all 14,000 growers in 7 countries.

Within sustainability, all action plans are being driven through active cross-functional work groups. New action projects have been defined 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, Denmark, Sweden, Finland, Lithuania, Poland and Slovakia more than 95 per cent of our sugar production in 2017 can be referred to as sustainably grown and meeting at least the silver level of the SAI Platform's FSA 2.0, following a third party verification.

Link to our sustainability microsite: <https://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".

Implementation

The Nordzucker Human Rights Engagement and Corrective Actions Policy developed in 2014 as well as the policy paper on land grabbing are now part of the Nordzucker 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 and 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 started.

Implementation

Our new policy on Child Labour and Child Labour Remediation is now part of the Nordzucker supplier code of conduct.

The pro-active Health & Safety work is described in a reviewed Health & Safety action plan, updated early 2017 and now incorporating a Safety Culture Program. 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 safety culture program, a new pro-active indicator for Safety Culture has been 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”.

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.

In 2017 we concluded a Product Carbon Footprint analyses of all 13 sugar factories. The analyses showed that roughly 60% of the footprint is related to production, 37% to agriculture and approx. 4% to beet transportation. On the basis of this work, we have started an ambitious work to investigate how to become fossil-fuel free in the production and how to reduce the carbon footprint in the agriculture. Specific targets for this are in the process to be developed.

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 has been included in the supplier code of conduct in 2017.

The SAI Platform FSA 2.0 has been successfully implemented in all our grower countries and covers more than 95% of our production.

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. Anti-corruption training is going to be implemented in the coming year.

In 2016, a web-based whistleblower hotline has been developed.

Implementation

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

Measurements of outcomes

See section on “All principles”.

In the preceeding year, 3 cases were reported through the whistleblower hotline.