This report presents developments in our corporate sustainability strategy, activities and results in 2014. Corporate Social Responsibility (CSR) commitment is an integral part of our operations. Every year we work on further improvements to enhance the data and reporting cycle for our non-financial performance. We have not yet had our CSR performance verified externally.

This Sustainability Report is published in digital form only. To increase its readability and functionality, the report has been posted on our website in HTML format and can also be downloaded as a PDF document. In the event of textual inconsistencies between this English translation and the original Dutch version, the latter shall prevail.
PROFILE

Royal Cosun is an agro-industrial group that processes arable crops and other vegetable raw materials. Cosun is a cooperative of some 9,200 Dutch sugar beet growers. The cooperative has been processing its members’ sugar beet since 1899. Over the years we have added new activities to our portfolio, nearly all of them relating to agriculture or horticulture.

We produce a wide range of ingredients and intermediate products from vegetable raw materials such as sugar beet, potatoes, chicory, fruit and vegetables for the international food industry. We also make products that are sold to consumers through the foodservice (out-of-home and wholesale outlets) and retail channels. We are increasingly developing ingredients for non-food applications. We supply products to the animal feed sector, develop building blocks for biobased chemicals and produce bio-energy (green gas).

Of all the businesses that make up Cosun, Suiker Unie and Aviko are the most widely known. They have traditionally produced sugar and potato specialties respectively. Sensus produces inulin from chicory. Inulin is a dietary fibre that reduces the sugar and fat content of foodstuffs. SVZ processes fruit and vegetables into concentrates and purees for the food industry.

The Duynie group is a trader and distributor of animal feed and develops advanced applications based on residual flows and by-products from the food industry. Cosun Biobased Products is a fledgling business specialising in the development and production of functional green chemicals and materials based on renewable vegetable raw materials. Its innovations are used in a wide range of applications.

Royal Cosun has a joint research and development centre: the Cosun Food Technology Centre (CFTC). In close collaboration with the business groups that make up Cosun, CFTC improves the use of agricultural raw materials, innovates process technology, optimises energy management and, in cooperation with customers, develops new products. CFTC also works with a variety of institutions and universities in the Netherlands and abroad.

Turnover €2,115 million
3,799 employees (FTE)
30 production facilities in 10 countries
10 million tonnes of vegetable raw materials processed
9,211 members / shareholders
CONSOLIDATING AND INVESTING

Retaining what is good, improving what can be better and building on the future. In brief, this is what we do. This report does not look in depth at the financial results of our cooperative. They are considered in Cosun’s Annual Report for 2014. This CSR Report is concerned with other matters that are just as important as the euros. The euros often seem to be all that count but they are really only part of the story.

SEIZING OPPORTUNITIES
The globalisation and liberalisation of international manufacturing and trade do not leave Cosun unaffected. They provide more opportunities for growth but also more price fluctuations, especially in the sugar market. As a cooperative of Dutch sugar beet growers, Cosun has a clear responsibility for the profitability and continuity of the family farms that supply its raw materials. The prevailing low sugar prices mean our results in the current year will be relatively weak in comparison with recent years. Relative to our competitors, however, Cosun is in a strong position: we have solid foundations and the strength to absorb a setback. For the longer term, we have identified growth opportunities and are already making significant investments in them, as well as in the efficiency and capacity of our factories, in product development and in new sales markets. The biobased economy also has potential for our business.

SAFE WORKING CONDITIONS
To make the most of the opportunities, raw materials and production plants by themselves are not enough. Our staff are the key to identifying and making the most of the opportunities. We invest in the know-how and expertise of all our people, regardless of their position and age. As an employer we are also responsible for a pleasant and, above all, safe workplace. The high priority given to safety at work has borne fruit for the second year in a row with a further decline in the number of lost time accidents. Our ambition is to consolidate this trend so that even fewer accidents are reported in the years ahead.

NUISANCE
Inconvenience to some residents near our production sites cannot always be avoided, despite all the remedial measures we take. We will have to take even more this year because the number of complaints about nuisance has increased. Measures will be taken across the board, but especially at the two sites in the Netherlands that received a relatively high number of complaints. The action we have already taken is apparently not enough, more is needed to tackle the root causes. We are aware that not all the complaints can be measured objectively, some are due to people’s perceptions. Both the senior management and the local managers are taking all the measures necessary to tackle the problems and minimise nuisance.

RESPONSIBILITY
In areas where we can bring our influence to bear and make a difference, we show that our corporate social responsibility is not an empty promise. We are responsible primarily for our employees and the members of the cooperative. But other stakeholders – customers, consumers, local residents, job seekers, suppliers and service providers – must also be confident that we act fairly and take all interests into account before reaching a decision.

Not everyone will be pleased with our decisions but we are willing to discuss them and make compromises where necessary. We see this as a long-term investment in our future and we recognise the value of good relations with all our stakeholders, even if we cannot disclose them in the balance sheet. This report can be read as an invitation to enter into a dialogue with us to discuss all the issues that you and we have in common.

Dirk de Lugt
Chairman of the Board

Robert Smith
Chief Executive Officer
LOCATIONS*

* Main offices and production facilities in the Netherlands, Europe, the US and Asia
BUSINESS MODEL

Our commercial success stands or falls on the value we extract from our raw materials. We therefore use all parts of the plant in a process known as biorefinery. The challenge is to extract as many components as possible at the same time.

Our core business is processing vegetable raw materials. We turn more than 80% of the agricultural raw materials (biomass) into foodstuffs. Some 10% is made into animal feed and the rest is converted into bio-energy and biobased products.

PRODUCTS

Food for people and animals
Cosun produces ingredients primarily for the food industry. By far the largest sales channel is industry. Sugar, inulin, potato flakes and fruit purees are processed and used in many products such as soft drinks and fruit juices, confectionery, biscuits and baked goods, breakfast products and cereal bars, diary products and ice cream, savoury snacks, etc. Aviko sells many potato specialities and potato chip varieties in the foodservice sector and through the supermarket channel. Under the Van Gilse brand name, sugar specialities are marketed through the same channels.

Most of the pulp produced when sugar is extracted from the beet is processed into animal feed. Chicory pulp and residual flows from the potatoes, too, are processed into animal feed. This is the market in which the Duynie group is active, also for other companies in the food industry.

In addition to these ‘traditional’ applications, we encourage innovative applications and products. Natural colourings extracted from fruit and vegetables, for example, are used by the food industry. Demand for natural colourings is also growing from manufacturers of ‘nutraceuticals’ (functional foods).

Biobased chemicals & materials
We are extracting more high value components from our potatoes, sugar beet, chicory, fruit and vegetables. The inulin derivative, CMI, for example, is used as a phosphate substitute in dishwasher detergents.

It is also used on offshore oil rigs to prevent scaling and in desalination plants to purify salt water into drinking water. CMI is also biodegradable.

The starch that remains in the process water when potatoes are processed into chips and other products can be extracted and used as a raw material for paper and adhesives. We make ethanol and other chemicals from sugar beet. Molasses and thick juice are often processed by our customers into biobased products.

Bio-energy
The tops and tails of the sugar beet, some of the potato peelings and the fruit and vegetable residues used to be turned into compost. We can extract more value from them, however, if we ferment them into biogas and digestate. Suiker Unie upgrades the biogas into green gas and feeds it into the national natural gas network. Suiker Unie has the capacity to produce more than 30 million m³ of green gas per annum. Suiker Unie also takes part in practical tests and runs several cars and trucks on its own green gas instead of diesel. The digestate, which contains organic matter and minerals, is suitable to be returned to the fields so that nutrient cycles are closed.
Consolidated net turnover of Cosun. More information about financial and economic value on pages 16 - 17.

Recurring EBITDA is operating profit before depreciation and amortisation, after adjustment for activities divested and non-recurring items.

The members’ bonus is paid to the members as part of the quota beet price and recognised as a cost of raw materials in ordinary operating profit. More information on page 16 - 17.

The beet yield per hectare, calculated on the average yield with average quality and after premium payments.
### Key Figures

**Total CO₂ emissions** in tonnes/tonne of product

<table>
<thead>
<tr>
<th>Year</th>
<th>CO₂ Emissions</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>0.24</td>
</tr>
<tr>
<td>2011</td>
<td>0.25</td>
</tr>
<tr>
<td>2012</td>
<td>0.23</td>
</tr>
<tr>
<td>2013</td>
<td>0.21</td>
</tr>
<tr>
<td>2014</td>
<td>0.22</td>
</tr>
</tbody>
</table>

The upper part of the figure represents direct emissions caused by our use of fossil fuels. The lower part is the indirect emission relating to the purchase of electricity, converted into tonnes of CO₂. More details on page 18.

**Number of complaints about nuisance**

<table>
<thead>
<tr>
<th>Year</th>
<th>Complaints</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>49</td>
</tr>
<tr>
<td>2011</td>
<td>58</td>
</tr>
<tr>
<td>2012</td>
<td>62</td>
</tr>
<tr>
<td>2013</td>
<td>161</td>
</tr>
<tr>
<td>2014</td>
<td>207</td>
</tr>
</tbody>
</table>

Total number of complaints about Cosun’s 30 production locations in the Netherlands and abroad. Most complaints related to odour nuisance. The values measured were within the limits of the environmental permits. See also page 21.

**Water consumption** m³ of water/tonne of product

<table>
<thead>
<tr>
<th>Year</th>
<th>Water Consumption</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>2.8</td>
</tr>
<tr>
<td>2011</td>
<td>2.5</td>
</tr>
<tr>
<td>2012</td>
<td>2.6</td>
</tr>
<tr>
<td>2013</td>
<td>2.4</td>
</tr>
<tr>
<td>2014</td>
<td>2.3</td>
</tr>
</tbody>
</table>

Total water consumption of all Cosun production locations in m³ per tonne of product. More details on page 19.

**Waste** in kg/tonne of product

<table>
<thead>
<tr>
<th>Year</th>
<th>Waste</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>4.1</td>
</tr>
<tr>
<td>2011</td>
<td>4.0</td>
</tr>
<tr>
<td>2012</td>
<td>4.0</td>
</tr>
<tr>
<td>2013</td>
<td>5.1</td>
</tr>
<tr>
<td>2014</td>
<td>6.8</td>
</tr>
</tbody>
</table>

Total volume of residual material per tonne of product, broken down into separated and mixed flows. Read more on page 20.
Average number of staff during the year with a contract of employment with Cosun or one of its business groups. More on page 22.

Number of staff in FTE

<table>
<thead>
<tr>
<th>Year</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value</td>
<td>3,203</td>
<td>3,288</td>
<td>3,396</td>
<td>3,477</td>
<td>3,799</td>
</tr>
</tbody>
</table>

Average number of FTEs
Average number of FTEs (adjusted for divested activities)

Number of lost-time accidents indexed per 1,000 FTEs

<table>
<thead>
<tr>
<th>Year</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value</td>
<td>24</td>
<td>26</td>
<td>32</td>
<td>30</td>
<td>24</td>
</tr>
</tbody>
</table>

Total number of lost time incidents at Cosun business groups per 1,000 employees. For more details, see page 22.

Reports of suspected wrongdoing by Speak Up

Number of reports on suspected wrongdoing received by the Speak Up system since 2011. More details on page 24.

<table>
<thead>
<tr>
<th>Year</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value</td>
<td>-</td>
<td>4</td>
<td>0</td>
<td>4</td>
<td>9</td>
</tr>
</tbody>
</table>

Sickness absenteeism at Dutch locations (%)

Rate of sickness absence at the Dutch locations of the Cosun business groups, excluding maternity leave. More on page 23.

<table>
<thead>
<tr>
<th>Year</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value</td>
<td>3.5</td>
<td>3.8</td>
<td>3.5</td>
<td>3.8</td>
<td>3.8</td>
</tr>
</tbody>
</table>
Cosun takes a practical approach to corporate social responsibility (CSR). It can be seen in the way in which we take account of the various interests before reaching a decision. Cosun wishes to play its part in the sustainable development of those areas in which it is active and can bring its influence to bear.

**OUR VISION**
The world population is growing in number and prosperity. Raw materials, farm land, freshwater and energy are becoming scarcer. These trends are bringing matters to a head and forcing us to make fundamental choices. We do not want our current standard of living to deprive future generations of nature or irreplaceable resources. We must learn to use the world’s natural wealth more carefully and efficiently.

**COSUN CSR POLICY**

<table>
<thead>
<tr>
<th>STAKEHOLDERS</th>
<th>MISSION</th>
<th>PILLARS</th>
</tr>
</thead>
</table>
| **External** | Cosun operates close to the arable sector and works with farmers on the sustainable cultivation of vegetable raw materials. We are convinced that the refinery of vegetable raw materials is essential to make optimal and sustainable use of our agricultural raw materials and natural resources. We deliver ingredients for food and feed, materials for many non-food applications and ultimately for energy production. We carefully balance respect for people, planet and profit with the continuity of the business and the cooperative. **Guidelines**
• Cosun Code of Conduct (completely revised Code of Conduct in 2015)
• Specific regulations
• NCR Code for Cooperatives | Cosun’s sustainability policy is built on four pillars: 1. **Sustainable cultivation**
• Investment in the knowledge and expertise of the growers and suppliers of our raw materials
• Higher yield per hectare
• Mineral cycles closed wherever possible 2. **Financial and economic value creation**
• For members (income through the beet price)
• For staff (salaries and pensions)
• For society (products and taxes) 3. **Optimisation of production processes**
• Optimal use of raw materials and consumables including water
• Energy savings and lower CO₂ emissions
• Waste prevention
• Caring for the social environment; minimising nuisance 4. **Good employment practices**
• Safe working environment
• Fitness and employability
• Education and training |
## TARGETS

We have set a number of social and environmental targets to measure the results of our efforts. We also account to our members for the return earned on the capital invested and our contribution to the financial result per hectare of sugar beet. Responsibility for the financial result is shared between our members/beet growers and ourselves as a sugar manufacturer. More information on our financial results can be found in our Annual Report for 2014.

<table>
<thead>
<tr>
<th>PEOPLE</th>
<th>ENVIRONMENT</th>
</tr>
</thead>
<tbody>
<tr>
<td>• To reduce lost time incidents at work to zero eventually. The target for 2015 is not more than 17 lost time incidents per 1,000 FTEs.</td>
<td>• To reduce energy consumption per unit of production at our factories by an average of 2% per annum. This will in turn reduce the carbon footprint of our operations.</td>
</tr>
<tr>
<td>• To reduce sickness absenteeism among staff, in any event to remain below the average for the food industry (Statistics Netherlands figures 2014: 4.8%).</td>
<td>• To excel in creating value by converting all our vegetable raw materials (biomass) into food, feed, non-food applications and energy products, and so prevent biomass being treated as waste wherever possible.</td>
</tr>
<tr>
<td>• To reduce the number of complaints made by local residents about our production locations. The ultimate goal is an average of less than one complaint per production site.</td>
<td></td>
</tr>
</tbody>
</table>

## OTHER TARGETS

We have also set targets in other areas. We have taken initiatives to make the cultivation of our agricultural raw materials more sustainable, to use water more responsibly when both growing and processing the crops, to cooperate within the supply chain with a view to sustainable innovation, to reduce CO₂ emissions before and after our production processes and to professionalise staff development through training and education. These targets, too, are considered in this report.

## INTEGRATED

Corporate social responsibility is integrated into our strategy. Final responsibility for the policy lies with the Board, with the Supervisory Board overseeing the policy’s implementation by the Executive Board. The Chief Executive Officer reports to the Board.

## COOPERATION AND COORDINATION

The group directors are responsible for setting and implementing their business groups’ policies. At Cosun level the policies are coordinated by the CSR platform. The members of the platform are:

- **Robert Smith**, CEO and Chairman of the CSR platform (until April 2015)
- **Anouk ter Laak**, director, SVZ, and Chairperson of the CSR platform (as from April 2015)
- **Iwan Blankers**, director, Sensus
- **Jobien Laurijssen**, sustainability manager, SVZ
- **Derk van Manen**, Q&R manager, Duynie group
- **Frank van Noord**, R&D director, Suiker Unie
- **John Stoopen**, Chairman of the Central Works Council
- **Vacancy Aviko**
- **Willy van Oorschot**, corporate communication manager, Cosun
- **Coen de Haas**, environment coordinator, Cosun, and secretary (as from April 2015)

Each business group has its own steering group; some have also appointed working groups in specific areas such as the environment and employee relations. The business groups’ management teams coordinate, direct, monitor and report on their activities to the Executive Board. A working group at Cosun level compiles management reports and this Report.
SUSTAINABLE CULTIVATION

Modern arable farming demands sustainable use of the land in order to produce the highest possible yield per hectare without degrading the quality of the soil. Thanks to new plant varieties and modern processing techniques we are making steady progress towards this goal.

Together with its growers, Cosun is investing in the further improvement, optimisation and sustainability of cultivation. These are the factors that determine the yield and the quality of the crops. Minimising the use of pesticides and herbicides reduces the environmental burden and helps growers control their costs. It also improves the quality of groundwater and surface water. We are focusing all our efforts on producing a higher yield per hectare while maintaining soil quality and biodiversity. Biodiversity is the variety of different forms of life (genera, species, etc.) within an ecosystem and is often used as an indicator of the health of the ecosystem.

Our aim is to use as few inputs, such as fertilisers, crop protection agents and diesel for machinery, as possible while realising the highest possible output in terms of crop quality and yield per hectare. This aim is a perfect complement to our goal of ensuring the profitability of arable farming and industrial processing. Today, significantly less energy and consumables are consumed per unit of end product than just a few years ago. Further improvements are still possible. The direct contact between the Agricultural Services and the growers makes this a truly joint responsibility.

The sugar beet that Cosun processes have traditionally been grown on a cooperative basis, with all parties in the supply chain recognising the importance of supplying high-quality raw materials to the sugar factories. This shared responsibility is underlined by the study groups and demonstrations that Cosun organises to improve sowing, growing and lifting techniques. Aviko, Sensus and SVZ also invest in the knowledge and expertise of their raw material suppliers in order to improve the profitability and sustainability of their supply chains. In the longer term only sustainable growing techniques will be able to produce enough raw materials of the required quality. Soil quality is therefore important and the land must be kept in good condition.

POTATOES

A rich soil and responsible growing methods enhance biodiversity in and around the potato fields. By focusing its growers’ attention on biodiversity, Aviko helps optimise the potato crop. This begins by selecting the best potato variety to maximise the yield per hectare and thus lower the cost of raw materials per tonne of end product. The market makes high demands on Aviko and the links in the supply chain before it. Large customers are increasingly demanding potato products grown in controlled cultivation. A quality brand like Aviko is pleased to bear this responsibility and is willingly held to account for it. The responsibility begins with the raw materials and how they are grown. Standards are set on the use of fertilisers, crop protection agents and crop rotation. In 2014 Aviko significantly tightened up its rules on crop registration and food safety. Only potato growers who can submit a food safety certificate and a complete crop registration certificate for all their activities may deliver to Aviko.

CHICORY

The specialists at Sensus Agro regularly meet the growers’ association to discuss choice of variety and new techniques to control weeds, lift the crop and clean the harvest. Transporting the tare soil attaching to the roots increases the CO2 emitted by the trucks. This is undesirable on both cost and environmental grounds. More than half the chicory crop was therefore cleaned before it was transported to the factory in 2014. Sensus is developing cleaning concepts to minimise the tare in even more growing regions. It is also cutting fuel consumption by monitoring the drivers’ driving style and coaching them in how to drive more economically. Return loads are being found wherever possible so that the trucks are not empty when they drive back. The cultivation advice will be stepped up in 2015 and later years in order to increase the farmers’ yields and guarantee the high quality of the chicory raw material. To this end, the I-Top Online crop registration and evaluation programme for chicory growers will be upgraded. Growers who are not yet using it will be encouraged to do so.
FRUIT & VEGETABLES
SVZ processes a wide range of fruits and vegetables and works with crops of different sizes in a variety of countries. Despite the relatively complex supply chains, SVZ has worked with its growers for many years to ensure that the harvests are coordinated and managed efficiently. SVZ’s own agronomy team works in close contact with the growers and keeps them informed of advances in the use of crop protection agents and other techniques.

In eastern Europe, soft fruit is grown on small plots and supplied to the factories via collection points. In Spain, raw materials are sourced chiefly from large farms and cooperatives. Various vegetables are grown under contract for SVZ. Contracts provide a gateway for more intensive forms of cooperation with the growers, for example in the form of joint investments in specific cultivation techniques, the selection of new varieties and the scale of operations. A multiyear study is being carried out in Spain to optimise irrigation. A number of growers are being followed over many years to measure the influence of new and more efficient irrigation techniques on their water consumption, yields and quality. The results will add to our knowledge of responsible and effective irrigation methods in arid areas. In 2014, some 3,000 Polish growers took part in training seminars organised by SVZ to improve the harvest in terms of quality, food safety and environmental impact. SVZ uses the suppliers’ crop logbooks to check how its raw materials are grown and identify areas for improvement.

SVZ preserves biodiversity wherever it can. In red-fruit growing areas in Poland, it helped place bat shelters to protect the declining local bat population. Bats improve the fruit harvest by eating insects that damage the fruit.

Large, international customers are looking for demonstrable advances in the sustainability of their products. SVZ has picked up on this signal and is sourcing its raw materials from a growing number of growers who can work to its customers’ sustainability standards. SVZ is also taking measures to raise sustainability to a higher level throughout the supply chain (from cultivation and its own production processes to logistics and delivery to the customer) and to embed the improvements in its organisation. SVZ appointed a sustainability manager at the beginning of 2014 to achieve this goal. She will roll out the sustainability strategy within SVZ, take initiatives and bring people together to achieve results more quickly.

SUGAR BEET
The more sugar produced from every hectare, the better. Not only for arable farms to make a profit but also for Suiker Unie to achieve its sustainability and profitability goals. The joint efforts are producing tangible results.
The figure above shows the upward trend in the yield per hectare, especially in the five-year average. The variations from year to year are due chiefly to weather conditions during the growing season. The sugar yield in 2014 was extremely high: more than 15 tonnes per hectare. The early sowing dates, high spring temperatures and the relative absence of stress factors such as drought and plant diseases and pests certainly contributed to the high yield. The yield was also boosted by new beet varieties and the skills of the growers. Suiker Unie helps its growers optimise the beet harvest by providing advice based on research by such authoritative bodies as the Institute for Rational Sugar Production.

Suiker Unie’s Agricultural Service will organise seminars and use the Unitip system to provide growers with more advice on biodiversity. All its efforts will be directed at lowering the growers’ costs with a view to their profitable continuity. The profitability of beet cultivation provides a solid foundation for sugar production in the Netherlands.

Figure 2 shows the direct relationship between the sugar yield per hectare of beet and the energy consumed during cultivation, for instance by machinery. The more sugar produced from each hectare, the less energy is needed per kilogram of sugar. Growers can track and improve their energy consumption by means of one of the modules in the Unitip cultivation programme. This online programme gives ambitious beet growers an insight into their own improvements, enables them to compare their performance with that of other farmers, and generates useful information for both the participants and Suiker Unie.

Suiker Unie introduced the Biodiversity and Beet Growing project in 2014 in cooperation with a variety of knowledge and training centres. Suiker Unie is informing all its growers of the latest advances in biodiversity because they have a direct impact on soil quality and thus the quality of the beet harvest. Customers and interest groups (environment, tourism, etc.) are also recognising the importance of soil quality and biodiversity.

### MISCELLANEOUS

The companies in the Duynie group source most of their raw materials from other production companies in the food industry rather than directly from growers. Its suppliers within Cosun are Suiker Unie, Sensus and Aviko. Cosun Biobased Products also sources its raw materials from internal suppliers. Using vegetable raw materials in animal feed and non-food applications reduces waste. We have cut the proportion of our raw materials that remains as waste to 0.7% of the total we receive.
FINANCIAL AND ECONOMIC VALUE CREATION

Cosun’s Annual Report for 2014 considers the cooperative’s performance during the year and the main developments at and around the group. It also takes a detailed look at the figures in the annual accounts. In this CSR Report, we turn attention to the value of our operations. We create value by realising a turnover, making payments to our members and staff, and investing in the sustainability of our production processes.

Cosun creates added value and is a significant economic player:
- by upgrading raw materials into products for our many customers;
- by making substantial payments to our members, suppliers, staff, the government and financiers.

The table below shows the added value that Cosun generates by selling its products, after the deduction of payments to suppliers for their products and services. In 2014 we created €735 million. Of this amount, €565 million was paid to our employees, members, the government and other financiers. Cosun invested the remainder of the added value in its assets and the expansion of its activities.

<table>
<thead>
<tr>
<th>ADDED VALUE STATEMENT</th>
<th>Amounts in millions of euros</th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net turnover</td>
<td></td>
<td>2,115</td>
<td>2,166</td>
</tr>
<tr>
<td>Other revenue and stock movements</td>
<td></td>
<td>42</td>
<td>50</td>
</tr>
<tr>
<td>Payments to suppliers of raw materials</td>
<td></td>
<td>¥/- 1,055</td>
<td>¥/- 1,056</td>
</tr>
<tr>
<td>Payments to other suppliers</td>
<td></td>
<td>¥/- 367</td>
<td>¥/- 329</td>
</tr>
<tr>
<td>Added value created</td>
<td></td>
<td>735</td>
<td>831</td>
</tr>
<tr>
<td>Personnel (salaries)</td>
<td></td>
<td>251</td>
<td>217</td>
</tr>
<tr>
<td>Members (beet purchases and members’ bonus)</td>
<td></td>
<td>283</td>
<td>360</td>
</tr>
<tr>
<td>Financiers (interest)</td>
<td></td>
<td>4</td>
<td>¥/- 1</td>
</tr>
<tr>
<td>Government (taxes)</td>
<td></td>
<td>27</td>
<td>33</td>
</tr>
<tr>
<td>Value created for stakeholders</td>
<td></td>
<td>565</td>
<td>610</td>
</tr>
<tr>
<td>Retained profit</td>
<td></td>
<td>79</td>
<td>139</td>
</tr>
<tr>
<td>Depreciation</td>
<td></td>
<td>91</td>
<td>82</td>
</tr>
<tr>
<td>Value created for reinvestment</td>
<td></td>
<td>170</td>
<td>222</td>
</tr>
</tbody>
</table>

**TURNOVER**
We create value by making optimal use of our vegetable raw materials. Total turnover declined to €2,115 million in 2014, down 2% on 2013. All our core activities reported higher sales thanks to a combination of organic growth and a number of smaller acquisitions. Suiker Unie had to deal with a sharp drop in sugar prices. Aviko’s turnover was lifted by higher sales in comparison with 2013. Our other activities (Sensus and Duynie) also reported growth in 2014, while turnover at SVZ was slightly lower. The greater part of our turnover, about 90%, was made in Europe.

**RESULT**
Cosun earned a good financial result in 2014, albeit less than in 2013. Operating profit before depreciation and amortisation and after adjustment for disposals and non-recurring items (recurring EBITDA) declined from €241 million in 2013 to €202 million in 2014.
MEMBERS
As a cooperative, we pay out a substantial proportion of our earnings to our members. The members’ bonus for the year came to €108 million, down 42% on 2013. The quota beet price paid to our members was accordingly lower: €50.18 per tonne of beet with average sugar content and average extractability (2013: €67.26 per tonne). At 15.1 tonnes, the average sugar yield per hectare was sharply higher than in 2013 (13.2 tonnes). The average financial yield per beet grower in the Netherlands accordingly came to €4,354 per hectare, €563 less than in the previous year. The financial yield per hectare is an important barometer of the profitability of beet cultivation.

INVESTMENTS
The cash flow from operating activities was more than enough to pay for the investments we made in our factories. The healthy financial position gives us a strong platform for the further implementation of our growth strategy. Capital expenditure totalled €112 million in 2014 (2013: €101 million). We again made substantial investments in our sugar activities. They were targeted primarily at the further expansion and flexibility of production capacity, as well as at regular replacement investments. Cosun also invested a total of €19 million in acquisitions to strengthen its activities (2013: €35 million). Cosun will continue to invest in a variety of segments in 2015 to strengthen its market position.

EMPLOYEES
Cosun incurred staff costs of €251 million (including social security and pension contributions) for its 3,800 FTEs in 2014. We also invested in their personal development: the average number of training days in both 213 and 2014 was three per FTE.
OPTIMISING THE PRODUCTION PROCESSES

When we process our vegetable raw materials, our care for the environment often comes down to the prevention of waste. We aim to make optimal use of all our raw materials and consumables, energy, water and residual flows, and to reduce our CO₂, odour and noise emissions. We take a critical approach to road safety around our locations and the appearance of our buildings, facilities and sites.

At group level, Cosun monitors the CO₂ emissions of its factories, the water consumption of its processes, the volume of residual matter and the number of complaints made by local residents. We monitor all our production sites, including those outside the Netherlands. The figures are expressed in units per tonne of product so as not to conflate variations in the size of the harvests we process.

Our overall environmental performance in 2014 was comparable to that in 2013. Only the number of complaints about our production activities was higher. Two sites were responsible for the increase in complaints in 2014 (see page 21).

CO₂-EMISSIONS

The composition and quality of the harvests we process vary from year to year. We have very little influence on how this affects our energy consumption. Energy consumption accounts for a substantial proportion of our costs. We have set ourselves the goal of reducing our overall energy consumption by at least 2% on average per annum as from 2010. This saving will also reduce our CO₂ emission per tonne of product. In recent years, we have nearly always realised our goal. We did not do so last year on account of the quality of the harvests. If we look at the average for the past five years, however, we have achieved our goal. Every additional saving, however, requires an even greater effort to achieve the goal of 2% per annum.

Cogeneration

Many of our factories operate cogeneration plants. They combust gas to produce steam and generate a large proportion of their own electricity. The related CO₂ emission is classified as a direct emission. The indirect CO₂ emission is based on the net electricity purchased from external suppliers and the average CO₂ emission per kWh they declare. Where specific figures are not available, we use national averages.

Cosun is constantly seeking ways to improve its production capacity and reduce its gas and electricity consumption. Nearly all production sites produce steam as a source of energy. Natural gas is combusted in the boiler house to heat water into steam. The steam produced directly and the steam produced from electricity generation (cogeneration) is used to heat all manner of production flows. If the heat can be recovered, less natural gas needs to be used. More heat can be recovered by investing in process modifications or in new equipment.

More savings

The business groups again carried out successful energy saving projects and studies in 2014. They were assisted and supported by Cosun Food Technology Centre (CFTC), which acts as a knowledge centre and facilitator. A comprehensive internal benchmarking study of the efficiency of the boilers provided new insights to make improvements and share best practices as well as to cut costs directly.
Cosun is also studying the CO₂ emissions in the links in the supply chain before and after its production processes, e.g. from the transport of raw materials to our factories and of products to our customers. We can reduce the number of transport kilometres per tonne of product – and thus our CO₂ emissions – through better planning and loading, carrying return loads wherever possible, using lighter and more economical vehicles, improving driver behaviour and the like. Another option is to offer semi-manufactures to our customers. By selling liquid thick juice, for example, Suiker Unie no longer needs to carry out an energy-intensive crystallisation process. Customers can use the product directly in their own processes without having to add water first. This reduces the total energy consumption in the supply chain.

**WATER CONSUMPTION**

The food industry uses a lot of water, not only to wash the raw materials but also in its processes and to clean the processing equipment. The vegetable raw materials themselves also contain a lot of water that we can use after it has been treated. The total volume of water we use is directly related to the size of the harvests we process. In and of itself, therefore, absolute water consumption in m³ is of relatively little importance.

Water consumption per tonne of product was slightly lower in 2014; the proportion of tap water was also lower because Sensus used slightly more groundwater than in 2013. Aviko and SVZ’s factories in Poland also use groundwater. As freshwater is becoming increasingly scarce in some regions we are looking for ways to re-use process water provided it is of acceptable quality.

<table>
<thead>
<tr>
<th>Year</th>
<th>Groundwater Used</th>
<th>Tap Water Used</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>2.8</td>
<td></td>
</tr>
<tr>
<td>2011</td>
<td>2.5</td>
<td></td>
</tr>
<tr>
<td>2012</td>
<td>2.6</td>
<td></td>
</tr>
<tr>
<td>2013</td>
<td>2.4</td>
<td>0.7</td>
</tr>
<tr>
<td>2014</td>
<td>2.3</td>
<td>0.7</td>
</tr>
</tbody>
</table>
WASTE
Cosun produces two kinds of waste: separated and mixed. Separated waste is sorted into paper and board, wood, stones, plastic and chemicals. We send this sorted waste to external processors. What remains is mixed waste.

Per tonne of product there was an increase in the amount of mixed waste in 2014 in comparison with 2013. This was due chiefly to the relatively large volume of stones received during the sugar campaign. To put the volume of waste into perspective, for every 1,000 kilograms of product leaving our factories, there is less than 7 kilos of waste that cannot be processed. Cosun nevertheless intends to reduce the volume of waste even further and make good use of any valuable residual matter.

ORGANIC RESIDUAL MATTER
Suiker Unie’s three sugar factories have been operating biomass digesters since 2011 to convert organic residual matter from our production processes into biogas. The residual matter is converted if it cannot be used in applications that have a higher value, such as animal feed. If our biomass digesters cannot handle all the residual matter on site, we prefer to supply the surplus to an external biomass digester. In both cases, we do not produce waste but a commercial application.

By processing our own organic residual flows, we have reduced the amount of organic residual matter from 82 kg per tonne of product in 2011 to 38 kg in 2013. There was a fractional increase in the amount again in 2014 as some of the beet tops from the factory in Vierverlaten were converted into biogas externally. The figure shows the amount of organic residual matter that our factories supplied to external biomass digesters of composters.

Bio-energy
Suiker Unie produces green gas from vegetable residuals such as beet tops and tails, foliage and some of the pulp remaining after the beet have been processed into sugar. Pulp is turned into gas only if the fresh pulp cannot be sold as animal feed. This is an alternative to drying the pulp, which costs so much energy that it is often better for the environment if we turn it into energy (in the form of biogas).

Suiker Unie operates three digesters that together produce about 30 million m³ of green gas per annum. Most of it is fed into the national gas transmission network. Financially this is the most attractive option, although some of Suiker Unie’s trucks drive on the green gas. This puts into practice our green deal with the government to make our transport more sustainable.

Other production units within Cosun have been producing biogas from process water by means of methane reactors for many years. The Aviko factory in Steenderen supplies process water to a nearby water treatment plant that recovers energy and minerals (chiefly struvite). This helps close the mineral cycle as the minerals, such as phosphate, can be returned to the fields as plant nutrients.
LIMITING NUISANCE

Cosun has a total of 30 production sites in the Netherlands and abroad. Their large-scale production processes are sometimes a source of nuisance to local residents.

Where factories are located close to residential areas, residents may be inconvenienced by odours or noise. The transport of raw materials to our factories can also be a source of nuisance to people who live along the supply routes and close to the factory.

FRYING ODOURS

In the fall of 2013 Aviko Lomm organized an information session for local residents. Comments by attending residents revealed that the complaints procedure was not working properly. Aviko had not received all the residents’ complaints. Aviko undertook to revise its complaints procedure and opened a dedicated email address and telephone line. A great deal of use was made of them immediately they went live. As a result, 35 complaints of ‘frying smells’ were received in the final quarter of 2013. In 2014, we studied the causes and considered the measures we could take. Tests have since been held to aerate the waste water treatment. If this proves inadequate, the next step is to place an extra flue.

In addition to these technical interventions, Aviko is investing in its relations with residents. A meeting was held in 2014 to share information with residents. A neighbourhood contact person has also been appointed to represent the residents. We liaise with the contact person every quarter. No reports of odour nuisance were received in the first four months of 2015.

ODOUR NUISIBLE FROM BIOMASS STORAGE

At Vierverlaten the biomass digester and biomass storage facilities are a greater source of odour nuisance than at other locations. Several studies have been carried out and the ensilage and covers have been improved so that less odour is released when the silos are emptied. Although the interventions have reduced odour nuisance, as evidenced by measurements using sophisticated instruments in the locality, residents are still experiencing a nuisance. Management is constantly seeking additional ways to prevent odour nuisance.

Cosun does not want local residents to be inconvenienced by its activities at and around the production sites. The odour emissions measured at the two biomass digesters in the Netherlands that produce green gas satisfy the standards set in the environmental permits. Substantial investments have been made in the past few years to reduce the emissions even further.

Residents near the plants in Dinteloord and Vierverlaten are regularly informed of the measures Suiker Unie takes to reduce the nuisance. Consultative platforms with representatives of the residents and the company have been in place for some time at both locations. Suiker Unie has also taken the initiative to set up a consultation group in Vierverlaten. Representatives of local residents and specialists from Suiker Unie talk under the guidance of an independent chairman about the nature of the complaints, potential solutions and local experiences.

In comparison with 2013 (161 complaints), we received nearly a third more complaints in 2014: 207. The growth in recorded complaints was attributable to two locations that had also been responsible for an increase in complaints in 2013, the Suiker Unie site in Vierverlaten and the Aviko factory in Lomm.
GOOD EMPLOYMENT PRACTICES

Cosun wants to grow, under its own steam and through acquisitions. We therefore expect the number of employees to increase in the years ahead. As Cosun has relatively more older employees than younger ones, it must invest in keeping its older employees fit. Another challenge is the inflow of younger workers. When the seniors retire, we must have enough qualified junior employees to fill the vacancies.

Cosun takes on students as trainees every year to carry out practical internships or research projects. The supervision provided for young trainees fits the profile of a business that is actively engaged in society. There are benefits on both sides: the students have an opportunity to gain practical experience in their specialisation under the supervision of experienced professionals and the professionals are kept on their toes by the students’ enthusiastic questions.

SAFE WORKING CONDITIONS

Safety at work remains a matter of concern. Cosun’s overall safety record may have improved for the second year in succession but the number of lost time incidents and accidents is still too high. Safety at work is expressed as an index based on the number of lost time accidents reported per 1,000 FTEs. Cosun has set the bar even higher for 2015: 17 reported incidents per 1,000 FTEs at most. This means all concerned will have to make an extra effort to be aware of unsafe situations, to hold each other responsible for unsafe conduct and to ensure strict observance of the safety rules.

EDUCATION AND TRAINING

The average number of training days per FTE is about three working days per annum. A substantial proportion of the training days was dedicated to the TPM programme being conducted at all Cosun’s business groups. Courses were also provided to improve the staff’s position on the external labour market if they cannot be offered alternative work internally following a reorganisation. The staff are also offered opportunities to take additional courses to qualify them for other internal positions. And staff who have already been with Cosun for many years must keep their know-how and skills up to date. Cosun encourages them to continue learning and to share their experience with younger members of staff who have less specific work experience.

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Many factories have appointed their own safety experts and rolled out dedicated programmes to ensure their staff go home fit and healthy at the end of the working day. The approach differs from one factory to another but there is a lot of common ground, with the staff being directly involved in their own safety. Safety awareness has highest priority and we are increasing it through training courses and instructions for all members of staff. Accidents, however, are not yet a thing of the past.

Many measures have been taken, especially at production sites, to increase safety and make staff more aware of how they themselves can increase it. By themselves, changes in the structure and equipment are not enough. The Safety, Health and Environment component of the TPM programme gives high priority to safe staff conduct.

HEALTH AND FITNESS
The rate of sickness absenteeism at Cosun remained unchanged at 3.8% in both 2013 and 2014. In comparison with the average rate for the industry as a whole (source: Statistics Netherlands) this is a relatively low rate. The figures from the business units did change slightly but not by enough to highlight specific cases.

With a view to the ageing workforce and the increase in the retirement age, the two business groups with the most members of staff, Aviko and Suiker Unie, launched fitness programmes for their employees some years ago. Such programmes cost money, but if the investments are weighed up against the cost of chronic sickness absenteeism, it is money well spent. To say nothing of the health benefits for the staff.

**Breakdown male/female**

<table>
<thead>
<tr>
<th>Group employees, average FTEs in 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Female 21%</td>
</tr>
<tr>
<td>Male 79%</td>
</tr>
</tbody>
</table>

DIVERSITY
Several business groups employ people with a disability. These employees need more attention and sometimes more assistance than others. Our aim is to coach them so that they can eventually carry out their duties independently. It is sometimes a matter of trial and error before young disabled people find their feet, but when successful both sides are very satisfied.

Diversity in terms of gender balance, ethnic minorities and people with physical and mental disabilities is not a decisive factor in the recruitment procedure to fill vacancies or in internal career development. The acid test is the right person in the right place.
REPORTING SUSPECTED WRONGDOING

Cosun has introduced a Code of Conduct that all members of staff must observe. It provides them with guidance so that they take the right decisions in their day-to-day work. Specific regulations and channels are also in place within Cosun for staff to report suspected wrongdoing, anonymously if they wish.

Anyone who suspects wrongdoing or a breach of integrity by one or more of their colleagues must be able to report it to a superior or, if that is neither possible nor desirable, to a counselor. To increase accessibility, a dedicated reporting line known as Speak Up has been introduced. Staff can contact a counselor by telephone or through the website in their own language and anonymously if they wish. We regularly draw attention to this channel in articles in the staff magazines, posters in the canteens and changing rooms and through the members of the local Works Councils.

In 2011, the year of introduction, we received a total of six reports, four via Speak Up. No reports were received in 2012. In early 2013, we included an information sheet on Speak Up with the staff’s payslips. It cannot be said with certainty whether this helped but we received four reports via the system in 2013. Nine reports were received via Speak Up in 2014.

One of the reports in 2014 related to a case in Poland that was still outstanding from 2013 as the outcome had not been reported back to the person who made the initial report in time. Of the other eight reports, six related to Aviko, one to SVZ and one to Suiker Unie. Some cases could perhaps have been better discussed with a superior, the P&O department or the local Works Council. They related to the atmosphere at work, a colleague’s inconsiderate behaviour and the relationship with a superior. In such cases the counselor encourages the staff to try to solve the problem internally first.

We respond to reports of potential wrongdoing as quickly as possible. In two cases, we spoke to the persons concerned after we received a report via the system. In all the other cases the matter was dealt with by studying the facts reported and taking measures without contacting the person concerned via the system. In response to a report from China, we decided to roll out the reporting facility at the Aviko Gansu and Aviko SnowValley joint ventures. We decided to have the regulation on reporting wrongdoing translated into Chinese and introduce it with the new Code of Conduct.

In early 2015, we adopted a completely revised Code of Conduct. It applies not only to all staff but also to the cooperative’s Board members, executive directors and supervisory directors. Everyone will be informed of the new Code of Conduct through the usual channels, including the line organisation and our own media such as websites, staff magazines and information sheets with the payslips. In parallel, we will develop an instrument to help managers introduce the Cosun Code and raise awareness of the conduct it seeks. It is good that this channel is in place and is used in practice. It must regularly be brought to the staff’s attention so that they know what to do if necessary.