

# SUSTAINABILITY REPORT

2008



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# 1 | CEO Statement

## Committed to a Sustainable Future in these Challenging Times

CSM remains committed to making positive contributions to all our stakeholders, including our shareholders, the communities we work in and the environment, as well as to providing our people with a working environment that supports their personal and professional growth. We strive for mutually beneficial relationships with our suppliers and customers, and are working together to improve their and our business. Our business partners value this way of working. Similarly, we are raising our standards and are taking more responsibility in working with our communities and the environment. We also see our employees value our commitment to their individual growth, and are actively engaging our management with tailored development programs. In 2008, we reviewed and redefined our core values and our sustainability approach is fully aligned with these. Our core values are Partnership, Performance and Passion, and are detailed in the section People.

Sustainability can only be achieved in a dialogue with our stakeholders to discuss viewpoints and decide on common interests. We continue to listen carefully to their expectations and wishes. Following government and industry standards such as GRI, our customers' and consumers' expectations with regard to sustainability are evolving. We actively engage our stakeholders to understand whether we meet their sustainability expectations, and at the same time do our best to set our own standards and achieve our goals. As we believe this is an important journey we remain focused on finding a healthy combination between

sustainable and profitable entrepreneurship. I am convinced that, in the end, real profitable entrepreneurship builds upon a sustainable long-term perspective.

As a food ingredients company, we are committed to producing food in a reliable and safe way and seek for methods and technologies to enhance the nutritional value of our products. We invest in the development of product improvement programs – “Good for you”, “Better for you” – to further improve our products in our Innovation Centers together with our customers.

In view of the extreme demand for raw materials that we experienced in 2008, we accelerated the process to create sustainable alternatives. We have made important progress in our development of lactides, allowing our customers to make bio-degradable plastics based on renewable raw materials. Despite the low oil price and the cost focus of customers, we see a growing demand for plastics that degrade over time and have a reduced carbon footprint. Apart from this development, our worldwide supply chain is focused on making improvements in energy efficiency, CO2 reduction, wastewater management, and environmental waste reduction.

We believe sustainability is a journey. Shaping our sustainability agenda is an ongoing process, often with ups and downs. In the current economic climate, we continue working on our sustainability goals within our strategic framework as we are convinced that this is the way to create a long term perspective.

*Diemen, the Netherlands, April 2009*

**Gerard Hoetmer, Chief Executive Officer**

## 2 | Key Figures

### People

People	2008	2007	2006
<b>Number of employees</b>			
<b>CSM overall</b>	<b>8,433</b>	<b>8,432</b>	<b>7,611</b>
Bakery Supplies Europe	4,101	4,023	3,779
Bakery Supplies North America	3,311	3,329	2,803
PURAC	972	1,032	989
Holding	49	48	40
<b>Employees by region/country</b>			
Netherlands	7.4 %	8.7 %	12.5 %
Rest of Europe	47.5 %	45.7 %	46.3 %
North America	41.0 %	41.9 %	38.4 %
Rest of world	4.1 %	3.7 %	2.8 %
<b>Female/male ratio</b>			
	female / male 30.8 / 69.2 %	female / male 30.1 / 69.9 %	female / male 30.0 / 70.0 %
<b>Average age female/male</b>			
	female / male 39.7 / 41.8	female / male 39.5 / 41.7	female / male 40.5 / 42.5
<b>Average years of employment</b>			
	female / male 7.7 / 9.8	female / male 7.6 / 10.0	female / male 8.7 / 11.7
<b>Absenteeism ratio (&gt; one day)</b>			
	2.30 %	2.70 %	3.22 %
<b>Average investment in training/education, in euros per employee (excluding Corporate Management Training program)</b>			
	€ 326	€ 458	€ 438

### Profit

Profit	2008	2007	2006
<i>millions of euros</i>			
<b>Net sales</b>	<b>2,599</b>	<b>2,486</b>	<b>2,421</b>
<b>Net sales by division</b>			
Bakery Supplies Europe	1,181	1,059	1,042
Bakery Supplies North America	1,092	1,116	1,084
PURAC	326	310	295
<b>Net sales by region</b>			
Netherlands	154	134	123
Rest of Europe	1,066	1,042	991
North America	1,294	1,230	1,234
Other countries	86	80	73
<b>EBITA before exceptional items</b>	<b>133</b>	<b>154</b>	<b>157</b>
<b>EBITA</b>	<b>113</b>	<b>65</b>	<b>124</b>
<b>Operating result</b>	<b>107</b>	<b>60</b>	<b>122</b>
<b>Result after taxes from continuing operations</b>	<b>90</b>	<b>56</b>	<b>64</b>
<b>Result after taxes</b>	<b>90</b>	<b>203</b>	<b>105</b>
<b>Equity</b>	<b>942</b>	<b>958</b>	<b>845</b>
<b>Market capitalization</b>	<b>711</b>	<b>1,428</b>	<b>1,924</b>

## Planet

Planet	2008	2007	2006
<b>OpCos per division</b>			
<b>CSM overall</b>	<b>40</b>	<b>42</b>	<b>41</b>
BSEU + Headquarters	17	16	17
BSNA	16	18	17
PURAC	7	8	7
<b>Production</b>			
Production volumes in tons (x1000)	1,481	1,483	1,437
<b>Environmental management</b>			
Certified Environmental Management System	ISO 3 other 3	ISO 5 other 2	ISO 5 other 4
Environmental nuisance complaints	noice 6 smell 5 traffic 0	noice 12 smell 2 traffic 0	noice 15 smell 6 traffic 0
Energy index (G-joules/ton product) Relative figure	2.91	2.87	2.64
<b>Emissions</b>			
Total CO <sub>2</sub> -equivalents in kilotons	335	319	288
Tons CO <sub>2</sub> -equivalents per net € 1,000 sales	0.128	0.128	0.119
Ton CO <sub>2</sub> -equivalents per ton production volume	0.226	0.210	0.201
Other air emissions (tons), absolute figure	NOx 114 SOx 2 dust 29 other 46	NOx 118 SOx 2 dust 40 other 83	NOx 111 SOx 11 dust 39 other 106
<b>Production</b>			
<b>Used water</b>			
Absolute (1000 m3)	29,637	31,597	30,575
Relative (m3 / ton production)	20.0	21.3	21.3
<b>Returned water treated</b>			
Absolute (1000 m3)	3,167	3,182	3,098
Relative (m3 / ton production)	2.1	2.1	2.2
<b>Returned water untreated/cooling water</b>			
Absolute (1000 m3)	25,344	24,479	27,117
Relative (m3 / ton production)	17.1	18.5	18.9
<b>Waste</b>			
Hazardous waste (tons)	422	307	244
Non-hazardous waste (tons)	84,699	78,984	47,836
<b>By-products</b>			
Useful by-products (tons)	293,965	252,223	264,617

### Explanation of abbreviations:

BSEU: Bakery Supplies Europe  
 BSNA: Bakery Supplies North America  
 CO<sub>2</sub>: Carbon dioxide

### FTE: Full Time Equivalent

ISO: International Standards Organization; develops and publishes internationally accepted standards  
 NO<sub>x</sub>: Nitrogen oxide  
 SO<sub>x</sub>: Sulfur oxide

# 3 | Company Strategy – Our Drive for Efficiency and Profitable Growth

## 3.1 | Introduction

CSM is a global leader in two large business-to-business markets: Bakery Supplies is a leading global supplier of bakery products and ingredients, and PURAC is market leader in the production of lactic acid and derivatives. CSM operates worldwide and generates annual sales of € 2.6 billion and has a workforce of 8,433 employees in 25 countries.

### CSM

CSM's strategy is geared towards retaining or attaining leadership in the markets in which we operate and ensuring sustainable and profitable growth of the company with sustainable returns above market average. We will do so in an ethical way, creating an attractive environment for our employees, customers and suppliers. From 2005 through 2008, our strategy was based on the following three pillars:

- Creating an efficient and effective corporate structure;
- Optimizing the organization to promote autonomous growth;
- Investing and divesting parts of the company to optimize our market positions.

After this three year transition period, in which we have optimized our organization for growth, it is time for the next step in our strategy. We will continue focusing on maintaining and creating an efficient and effective organization but at the same time we will focus on growth:

- Focus on value through efficiency and cost reductions;
- Drive growth, both autonomously and through acquisitions.

This strategy is based on the unique scale that we have, giving us a competitive advantage in:

- The ability to service world-wide operating customers;
- Having the size to seriously invest in Research & Development and consumer insights;
- Attracting top talent;
- And negotiating optimal conditions in procurement.

### Bakery Supplies

Bakery Supplies produces and distributes an extensive range of premium quality bakery products and ingredients for artisan and industrial bakeries, as well as for in-store and out-of-home markets, mainly in Europe and North America. The market for bakery supplies is relatively stable, with growth in line with GDP (Gross Domestic Product) in developed markets, and higher

growth rates in developing countries. We aim to further strengthen our leading position through above market autonomous growth and by acquiring companies that will strengthen our market positions and give us access to new geographies or markets. Autonomous growth will be realized by:

- Continuously developing new products matching the needs of our customer and end-consumers;
- Supporting our customers in all aspects of their business enabling them to be winners and thereby creating loyalty;
- Focusing on those growing market segments that are optimally aligned with our distinctive capabilities of being global, innovative and service oriented.

We create value by growing above market average and by achieving economies of scale in production and procurement.

### PURAC

PURAC is predominantly active in preservation, mineral fortification and green chemicals for the food, health care, chemical and polymer industries. Its role is to create a worldwide niche position in these markets by offering solutions based on natural lactic acid products. Lactic acid is produced through natural fermentation of carbohydrates such as sugar, corn and tapioca. Our solutions, particularly in green chemicals, are replacing mineral oil-based products. Innovation is at the heart of the products and services we offer.

PURAC's strategy is to further drive growth by continuing to invest in the creation of new products and related production capacity. Intimate cooperation with our main customers through partnerships is important in increasing the success rate of our innovations and the speed with which our innovations are absorbed by the market. Value creation will be realized through autonomous growth combined with continued cost reductions in the supply chain. Using the company wide procurement scale supports our cost reduction efforts.

## 3.2 | Performance Objective and Key Performance Indicators (KPIs)

### Performance Objective

It is our objective to realize above average returns, defined as a Return on Capital Employed (ROCE) of at least 12%.

### KPIs

We strongly believe that we will be able to realize above average returns and meet our leading financial KPIs, which are: ROCE, ROS and Net DEBT/EBITDA.

In order to be able to closely monitor and manage the execution of our strategy we have introduced underlying company specific KPIs, such as: service levels to our customers, sales of new products, working capital days on hand and turnaround time of responses to customer inquiries for example price quotes.

## 3.3 | Structure As at March 1, 2009

### CSM nv

CSM Bakery Supplies Europe

CSM Bakery Supplies North America

PURAC

### Main Product Groups

Bakery ingredients and products

Bakery ingredients and products

Lactic acid and lactic acid derivatives

### Operating Companies

BakeMark China

BakeMark Ingredients Canada

PURAC America

BakeMark Danmark

BakeMark USA

PURAC Argentina

BakeMark Deutschland

Caravan Ingredients

PURAC Asia Pacific

BakeMark Hellas

CGI

PURAC biochem

BakeMark Ibérica

CSM Bakery Supplies Latin America

PURAC bioquímica

BakeMark Ingrédients France

CSM Bakery Supplies Mexicana

PURAC China

BakeMark International

H.C. Brill

PURAC Deutschland

BakeMark Italia

Titterington's Olde English Bakeshop

PURAC France

BakeMark Magyarország

PURAC Hungary

BakeMark Polska

PURAC Japan

BakeMark Romania

PURAC Korea

BakeMark Russia

PURAC Mexico

BakeMark Turkey

PURAC Polska

BakeMark UK

PURAC Russia

Bender-Iglauer Backmittel

PURAC sínteses

Carels Goes

PURAC Thailand

Harden Fine Foods

PURAC UK

Kate's Cakes

PGLA-I (50%)

MARGO-BakeMark Schweiz

Unipro Benelux

### 3.4 | Responsibilities

CSM is a stakeholder driven company and, as a member of society, wants to fulfil its social and environmental responsibilities. Corporate Social Responsibility (CSR) refers to the implementation of sustainability at corporate level. At CSM, CSR includes policies on social and environmental issues and guidelines to monitor and limit risks. Our risk management approach is aimed at embedding risk awareness and risk management at all levels of CSM to ensure consciously and properly evaluated risk decisions. Our risk management

approach covers Strategic/Market, Operational and Financial/ Compliance risks.

CSR means long-term investment and development. It is a strategy to start an open dialog with stakeholders to set and measure performance goals not only for economic achievements, but also for environmental protection and social well-being. CSM values good corporate citizenship and wants to create long-term sustainable value for all its stakeholders.

### 3.5 | Code of Conduct

CSM launched a Code of Conduct in 2005, which stresses the importance of respecting the laws and regulations in the countries where CSM operates. Moreover, we adhere to the OECD Guidelines for Multinational enterprises, which is specifically important in countries where proper and decent working conditions and respect for human rights is not necessarily guaranteed by national legislation or the enforcement regime. CSM conducts its business with fairness, honesty, integrity and respect for the interests of stakeholders in a wide variety of social, political and economic environments. This concerns

CSM employees individually as well as the organization as a whole. The complete text of the Code of Conduct is available on the CSM website, [www.csm.nl](http://www.csm.nl).

In 2008 CSM revitalized its Code of Conduct. As part of this exercise a booklet, entitled "Good to know on Fraud!" was compiled. It has been presented to CSM management worldwide, and distributed throughout CSM. The publication creates awareness and provides examples how to identify and respond to fraud.

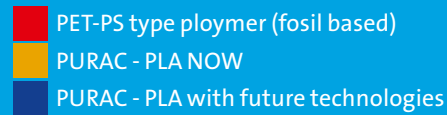
### 3.6 | Corporate Governance

CSM endorses the importance of good corporate governance and the principle of the Dutch corporate governance code (Tabaksblat Code), that a company is a long-term partnership between various parties related to the company. Corporate management bears overall responsibility for balancing the interests of these parties mostly with the aim of maintaining continuity of the company. At the same time, CSM aims to create value for its shareholders in the longer term. CSM is committed to embedding the Tabaksblat Code firmly in the company, thereby according a central place to the core concepts of good business practices, integrity, openness, and transparent and well-supervised management.

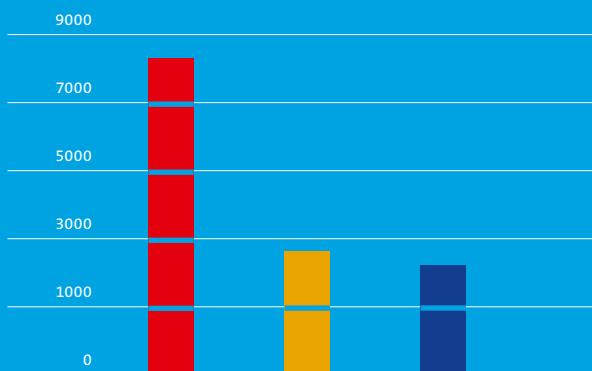
In accordance with the Tabaksblat Code, CSM devotes a section of its annual report to describing the main lines of the corporate governance structure at the company and its adherence to the corporate governance code, whereby any departures from the best practices are explained. Important changes in the corporate governance structure at CSM are presented to the General Shareholders' Meeting for discussion. The corporate governance policy of CSM, including the accompanying regulations and reports, is published on the CSM website. The Annual Report 2008 also reports on corporate governance.

On Display  
PURAC

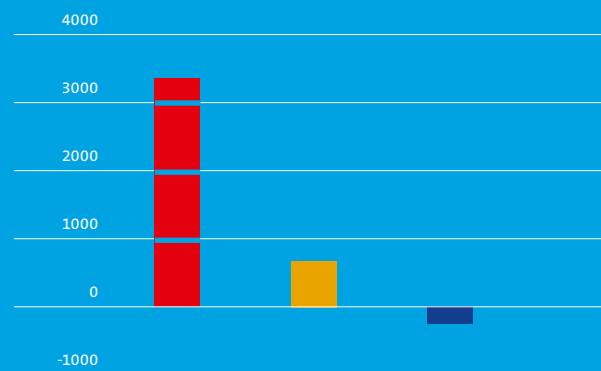
## Lactides



Energy use in MJ per ton of polymer



kg CO2 emitted in the production of 1 ton of polymer



### The Challenge

New materials manufactured from bio-based ingredients that are made from renewable resources are part of the worldwide sustainability trend. Lactic acid, the core of PURAC's business, is a bio-based ingredient. The challenge for PURAC has been to find a way to produce a lactic-acid derivative that can be used as a chemical intermediate for the manufacture of bio-based materials.

### The Resolution

The development of lactides, a derivative of lactic acid, was the next step forward in terms of producing bio-based materials. PURAC and Sulzer Chemtech have jointly developed a new cost effective polymerization process to produce high quality Poly-Lactic Acid (PLA), a type of bio-plastic that is made from bio-renewable raw materials like carbohydrates. The first plant to use this technology

will be built by Synbra in the Netherlands. This plant will produce BIOFOAM®, a foamed product that is a good replacement for Styrofoam, made out of mineral oil derivatives. More innovations in lactic acid technology will follow, which will further reduce the CO2 produced in the processes.

### The Results

The new Synbra plant, which is set to become operational by the end of 2009 will have a capacity of 5,000 tons a year, which will make it a leading European supplier of biologically degradable polymers from renewable sources. For every ton of PLA produced with PURAC lactic acid approximately 10 barrels of oil are saved over the life cycle of the product, compared to a product like polystyrene. In future, with technologies which are in development, PLA would even become a CO2 user!

	Energy use in MJ Energy Use per ton polymer	Energy use in barrels oil Barrel oil per ton polymer	CO2 emission kg CO2 per ton polymer
PET-PS type polymer (fossil based)	82000	13.4	3200
PURAC - PLA NOW	26455	4.3	514
PURAC - PLA WITH FUTURE TECHNOLOGIES	22896	3.7	-96

# 4 | CSM and Sustainability

## 4.1 | Vision and Mission/Commitment to External Principles Precautionary Principle

### Sustainability Vision

CSM strives to be a company that thoughtfully balances and embeds the three dimensions of sustainability - People, Planet and Profit - in its corporate strategy to contribute to long-term profit and sustainable development. CSM actively seeks common ground with its stakeholders (employees, customers, consumers, suppliers, business partners, shareholders, (non) governmental organizations, the public, etcetra) to consistently integrate sustainability into its business solutions. As successful entrepreneurship builds upon a sustainable long-term perspective, sustainability should serve as a binding factor for CSM employees and other stakeholders all over the world.

### Sustainability Mission

Sustainable and profitable growth delivers the benefits CSM aims to provide to its stakeholders. CSM strives for long-term business development and maintaining continuity by deploying business practices based on the principles of sustainable development. That is why CSM has integrated its core values and Code of Conduct into daily business practice. Sustainable development is an integral part of its social, environmental and economic policies. CSM is committed to contributing to the sustainability of the earth's resources and to helping preserve the environment for future generations. CSM wants its employees to be proud of working at a caring and responsible company.

## 4.2 | Sustainability Issues

As a food ingredients company, CSM provides a balanced presentation of the development of its sustainability performance related to operations under its full control and its shared responsibility. The company has defined Key Performance Indicators (KPIs) to directly influence and measure the impact of sustainability actions in its operations.

Sustainability issues related to operational activities with shared responsibility or with other supply chain partners are prioritized and are monitored, mapped and translated to guidelines.

In 2009, CSM will finetune its operations even more with a focus on customer intimacy and cost efficiency. As a consequence, the focus on improving sustainability in operational areas will extend to the entire supply chain and external partners. CSM will not only accept sustainability requirements from customers, but adopt and adapt them based on CSM's own values. In doing so, CSM will create its own requirements, both internally and externally. More and more CSM requirements will have a compelling character and evolve into obligatory requirements.

As CSM aspires to remain the leading bakery supplies and food ingredients company, socially responsible behavior in terms of health and nutrition is key to attaining this leadership position and being perceived as a leading company. CSM offers a broad range of healthy lifestyle products as well as indulgence products. Especially the Bakery Supplies product portfolio shows a sound fit with health and nutritional recommendations and guidelines.

To obtain this sound fit CSM has designed a strategy to improve nutrient profiles of frequently consumed products. Our "Better for You" program consists of improved bakery fat compositions to reduce the intake of trans fats and saturated fats from our products. In addition, technology has been developed to substantially reduce the sodium contents of various bread ingredients. Further innovations are underway to reduce the energy density of commonly consumed products, particularly to create "Sensibly Indulgent" products. The "Better for You" program offers customers and consumers a choice in specific product lines between existing products in the market and nutritionally enhanced CSM products.

## 4.3 | Organizational Embedding: Our Management Approach

### Organization

The responsibilities for sustainability issues are fully aligned with CSM's organizational and hierarchical structure. Senior management of operating companies, business units and market units are responsible for the social and environmental performance of their organizational entities. The Board of Management has overall responsibility for CSR and sustainability issues.

In 2008, CSM partly reviewed its sustainability reporting process. The objective was to restructure the reporting process and to deliver even more transparent and reliable data on greenhouse gas emissions, water, waste, and safety on a quarterly basis. CSM strives to present improved data on sustainability achievements and to have statistics on sustainability available whenever needed. To improve transparency in the reporting process and to create better sustainability management, as well as add benchmarks and improvements, CSM has intensified its efforts with added capabilities at corporate level.

In 2008, CSM maintained its focus on the implementation of sustainable solutions in supply chain and operational processes. The Sustainability Steering Committee continued to discuss the optimization of the reporting process, the implementation of the GRI G3 guidelines, the collation of management information, improvements to questionnaires, and the use of Key Performance Indicators (KPIs). Since the Committee wants to manage the reporting process in line with the progress made in the operational systems, only slight improvements and modifications were implemented. The KPIs are highlighted in Sections 5 and 6 of this document.

The Sustainability Working Group has created a management tool, the Sustainability Wheel, through which CSM has started to push sustainability in procurement and quality assurance control. This tool is used to identify sustainability issues related to raw materials and suppliers. In 2008, CSM selected three key raw materials for sustainability focus and efforts both upstream and downstream in the supply chain.

The CSM experts on health and nutrition related issues, continued to develop new insights, guidelines and improvement programs, including the "Better for you" and "Good for you" programs. We have taken steps to define a CSM approach to increased consumer concern in relation to food safety, food composition and transparency of the food chain.

### Organizational Principles

CSM maintains its pragmatic and hands-on management style and structure. Operating companies, business units and market units are the business-generating CSM entities responsible for operations. The Board of Management and senior line and staff management drive the decision-making processes and, consequently, further development and optimization. Synergies, efficiency, transparency and policies are managed and guided centrally, at the corporate level.

### Operational Excellence

As a key instrument to improve its competitiveness, CSM runs Operational Excellence programs in all its plants. Various methods and tools are used, including TPM (Total Productive Maintenance, also known as Total Productivity Management) and Lean Management tools.

To support, drive and improve CSM's quality performance, we deploy integrated Quality management, on the basis of the same principles.

Optimizing TPM and taking the programs to the next level is a continuing process to help CSM achieve significant and sustainable results coming from shared goals and teamwork. By following standard operating procedures, disruptions in production processes are minimized. Equipment losses have been reduced significantly in many plants and operating efficiencies have been improved.

This improvement process is guided by principles that ensure quality, safety and health of employees, as well as care for the environment.

At Bakery Supplies further progress was made in implementing TPM. Several plants received awards recognizing their efforts, such as from the renowned Japan Institute of Plant Maintenance (JIPM). In 2009, CSM will continue this approach and enhance efforts to share knowledge and implement best practices in CSM. CSM will create hands-on platforms consisting of experts working in the field, through which it will actively manage implementation of best practices.

PURAC has been using TPM for many years enabling it to increase operational equipment effectiveness and eliminate problems that cause reduced rate and downtime in its plants. Because of its focus on state-of-the-art maintenance methods PURAC has succeeded in preventing machine and equipment failure. The improved reliability drives improvements in productivity and quality in a consistent way. Training programs for staff focus on

personal and interpersonal effectiveness and problem-solving / decision-making skills. People are empowered to make a positive impact on the results and the means to achieve those results.

In order to manage sustainability performance, CSM encourages the implementation of environmental and health and safety management systems, such as ISO 14001 guidelines for oper-

ating companies used to minimize environmental impact. PURAC implemented the OHSAS 18001 health and safety management system.

Food safety programs and good working practices such as HACCP and BRC are obligatory throughout CSM. The company actively manages and measures compliance through a combination of internal and (independent) external audit systems.

## 4.4 | Stakeholder Engagement

As a responsible member of society, CSM wants to maintain an open and honest dialogue with all its stakeholders who are interested in the company and its business operations and actively participates in several platforms.

CSM is a member of the International Life Sciences Institute (ILSI), founded in 1978. We adhere to the four key issues as formulated by ILSI:

- Overweight/obesity
- Food biotechnology
- Functional foods
- Risk assessment.

CSM is also an active member of the RSPO, the Roundtable for Sustainable Palm Oil and supports the activities aimed at breaking the link between deforestation and palm cultivation.

Furthermore, CSM works on programs that aim to protect public health. CSM own developments as well as an active approach towards organizations like FEDIOL, IMACE, ILSI and others, generate progress needed to protect the public against any negative effects of specific compounds in processed foods.

### Shareholders: Investor Relations

CSM manages an on-going investor relations program to ensure that all (potential) investors and analysts are having access to the latest information on company developments.

CSM attaches great value to good relations with its shareholders. In addition to group presentations, our investor relation program includes one-on-one meetings with the Investor Relations Manager and the Board of Management. On the CSM website ([www.csm.nl](http://www.csm.nl)) there is a specific investor relations section where the CSM guidelines for Investor Relations are published.

### General Shareholders' Meeting 2008

At the annual General Shareholders' Meeting in April 2008, the Dutch Association of Investors for Sustainable Development (VBDO) inquired about CSM policy on sustainability issues associated with employees, suppliers, foreign markets, raw materials and non financial risks such as climate changes.

As a multinational bakery ingredients and products company CSM is facing financial and non-financial risks. Non-financial risks are connected, amongst others, with factors such as climate change and depleting or scarce natural resources, e.g. fresh water. CSM addresses these risks actively in the risk management approach.

For instance, raw materials and related risks (rising cost) are hedged in the physical market, but at the same time CSM is for example working on bread improvers to process any type of grain into the same high-quality bread. We are also continuously looking for ways of decreasing our water consumption. In view of the fact that the production of rice requires 7 times more water than the production of grain we see opportunities here, possibly in China. These are just a few examples illustrating our efforts in the area of sustainability and responsible entrepreneurship.

Satisfying our stakeholders' needs also includes measuring and improving employee satisfaction. Every second year CSM conducts an employee satisfaction survey in support of its HR strategy. In September 2007 this survey took place in Bakery Supplies Europe.

### Employees: European Works Council

At its regular meeting in June 2008 the European Works Council (EWC) discussed the results for 2007, CSM's strategy, and the developments within CSM and its divisions. Special attention was paid to the corporate strategy and the related opportunities and challenges for the future.

### Government, Business Partners, and Science

- Top Institution Food & Nutrition (TIFN) is a joint initiative of the Dutch government, food industry, universities and research institutes. TIFN is a part of the "Food Valley" initiative to strengthen the innovative and competitive capabilities of the food industry. TIFN conducts long-term strategic and fundamental research into the development of innovative, new healthy food. CSM participates in TIFN together with four other industrial partners: DSM, Unilever, Vion, and Friesland-Campina. CSM CEO, Gerard Hoetmer, is a member of the TIFN Board, which has executive responsibility and decision-making authority for the Institute. PURAC's VP of Innovation represents

CSM in the Program Council. The Program Council advises the Board on program strategies within the scope of the financial plan. Research is organized on a project basis and performed at various locations within the participating organizations.”

- ICOS Cleantech Fund 1 is a venture fund investing in early technology start-ups based in the Netherlands. The technologies need to promote sustainability of human beings and their environment (sustainability life cycle technologies). CSM is actively participating in the funds’ Investment Board, together with ICOS Capital (the fund manager) and IMTECH, to gain proper insight in new ideas that are developing in the Dutch market and to help to increase the success rate of the fund.
- The Roundtable on Sustainable Palm Oil (RSPO) is an association created by organizations carrying out their activities in and around the palm oil supply chain to promote the growth and use of sustainable palm oil through cooperation within the supply chain and open dialog with its stakeholders.

The RSPO is about to:

- Send clear demand signals to growers
- Accelerate the creation of a big market for sustainable material enabling suppliers to invest in separate supply chains
- Create real transparency as to which companies are serious about sustainability

Hence, the RSPO is about to set clear public targets and wants to privilege those suppliers who commit to a moratorium on deforestation. At the same time the RSPO will act as a hub for the political pressure needed to create long lasting change in the palm oil sector.

#### Community in General: DuVo Foundation

DuVo (“Duurzame Voedingsketentechnologie”: sustainable food chain technology) unites organizations from all levels in the food chain, in order to search for ways of promoting sustainability in the supply chain. CSM is an active member of DuVo foundation. DuVo keeps stakeholders informed of the results of its efforts by organizing dialog meetings and by publishing articles and booklets about specific aspects of its activities.

In 2008, DuVo published a study on the Carbon footprint labeling of food/food ingredients. The aim was to create public awareness through the use of printed information (CO<sub>2</sub> impact) on food labels - information the consumers might use to make up their minds when buying food.

DuVo has also initiated a study into the trust in food and food producers. The scope of the study will be ethical, political and social dimensions of food and trust.

## On Display

### Caravan Ingredients

## Vacuum Systems Upgrade at Caravan



#### The Challenge

To reduce Caravan Ingredients’ dependence on natural resources in order to save money and become more sustainable.

#### The Resolution

Various savings projects were launched at Caravan’s production facilities. One of the most successful examples of these savings projects was the modification of the process vacuum systems at Caravan’s facility, in Grandview, USA. Process vacuum systems are required to manufacture monoglycerides, which are mainly used as (bread) emulsifiers. The aim was to reduce the energy and water consumption of these vacuum systems. In order to do so, the vacuum systems were upgraded so that they would run more cost effectively, using less water and electricity, hence delivering a more sustainable process. The water savings were achieved through the addition of a roots blower reducing the load on the liquid ring pump. The reduced load allowed for a partial recycle of service water to the liquid ring pump, dramatically reducing the fresh water supply needed.

#### The Results

The modification of the process vacuum system will save approximately 10 million gallons (38,000 m<sup>3</sup>) of drinking water annually. This is an 83% reduction in water consumption for the system, which translates to around \$55,000 (€40,800) in savings annually.

#### **Consumers and Customers: Food Portal**

CSM supports the Dutch website [www.meer-weten-over-eten.nl](http://www.meer-weten-over-eten.nl) (English translation: find out more about food), dedicated to education on food. The website provides consumers with information about sustainability related to food and the food chain.

Contracts with large customers contain side letters on sustainability or ethical issues to ensure that their suppliers (including CSM) are adhering to codes and guidelines they want to apply in the supply chain. CSM endorses these initiatives and is preparing similar initiatives for its own suppliers and supply chain.

# 5 | People

## 5.1 | Human Resources Strategy

Attracting and retaining talent in order to successfully execute the CSM strategy is to the core of our HR strategy. We acknowledge our talent as being key to our continuous growth, innovation, and cost-effectiveness.

In 2008, we further strengthened (senior) management by offering opportunities for personal development to our people and by successfully recruiting experienced talent. CSM has selected a limited number of few recruitment agencies to help attract the best talent. These agencies are familiar with CSM and our corporate culture and are therefore well positioned to approach the market in a tailor-made and targeted way. Given our size and international spread CSM remains an attractive employer for those who want to work in an international environment close to the business.

To increase our retention rate CSM is actively engaging employees with growth potential. International mobility has increased in 2008, promoting talent development and the

sharing of best practices. More focus has been given to short term international assignments as these have shown to be very effective and are valued highly by assignees. Other important elements in talent development are CSM's international leadership development programs. In 2008 we redesigned these programs to better align them with market and corporate developments.

Part of our strategy is to strengthen the Marketing and Research & Development capability. In the US and Europe marketing positions were added to the leadership teams. These positions were filled by external recruits with relevant business experience and/or business-to-consumer knowledge to support our branding and concept policy. With the opening of the innovation centers a world class Research & Development capability is now in place at CSM. The best people in the industry have been recruited to drive innovation. In Europe a dedicated Research & Development trainee program has been launched with a highly international group of graduates.

## 5.2 | HR Policies

In 2008 further progress was made in aligning HR strategy with corporate strategy across the company. A functional HR organization is in place to ensure the HR strategy implementation. All divisions, business units and operating companies have HR managers on their leadership teams to drive the HR agenda. Within the CSM context these teams are responsible for tailoring HR policy to their own specific market requirements, cultures and conditions.

At the corporate level the global reward, assessment and development policy for CSM management continues to be applied. The remuneration policy for (senior) management is in line with the remuneration policy for the Board of Management. The performance targets are challenging and linked to both short and long term corporate objectives and associated remuneration instruments.

During 2008 the CSM Code of Conduct was updated and reinforced throughout the organization. The relevance of the Code and its contents were discussed at various key management meetings. The Code of Conduct is available on the CSM Intranet.

### Supporting the New CSM Strategy

To support the new CSM strategy, development programs will be rolled out to support the key capabilities of innovation,

customer intimacy, consumer insight, agility & responsiveness and market & competitor intelligence. These programs will be instrumental in attracting and retaining the right people and creating a sustainable competitive advantage.

CSM's senior management has developed three new Core Values needed to support the successful execution of the CSM strategy. These three Core Values are:

**Partnership:** To us, **partnership** stands for commitment beyond expectations. Customer and consumer insights inspire us to create new innovative products and services. To make this happen we have a passion to commit to our team, our customers and our suppliers. We are empowered and feel accountable. We commit to open communication and we actively share our best practices to challenge each other and to bring out the best in all of us. In partnership we exceed our stakeholders' expectations.

**Performance:** We are passionate about **performance**. We persist in our ambition to be best in class and our industry's benchmark. In order to achieve maximum results we align our activities with our strategy and endeavor to eliminate activities without added value. To maintain our leading position we recognize and reward

creativity. We support the improvement of our processes, products and services in order to continuously fulfill our customers' needs.

**Passion:** We are **passionate** of what CSM stands for and what we have achieved. We know where we are going and how we can contribute. This gives us a strong sense of identity. We are accountable for all our actions through which we contribute to the further development of our company. We take pride in surprising our customers by exceeding their expectations with our excellent products and services. Our mindset is to be best in class in the eyes of customers, (potential) colleagues and shareholders. Our passion to deliver makes us proud of CSM.

#### Consultative Framework

At its regular meeting in June 2008 the European Works Council (EWC) discussed the results for 2007, CSM's strategy, and the developments within CSM and its divisions. Special attention was paid to the corporate strategy and the related opportunities and challenges for the future.

#### Social Policy

Our people are essential to the success of the company. CSM feels responsible for its employees and has incorporated this responsibility in its code of conduct and its core values.

Important principles in CSM's social policy are:

- to recruit, develop and promote employees on the basis of the talents and skills required for the job;
- to provide safe and healthy working conditions;
- to encourage and support individual and team initiatives to further improve the results, reputation and growth potential of CSM;
- to strive for performance excellence and related rewards.

CSM attaches great significance to maintaining close relationships between executives, senior managers, and emerging talent. Board Members and senior managers regularly visit the various CSM facilities to continue their dialogue with management and staff.

In 2008 further progress was made in steering CSM towards one integrated organization. Human Resources supports this process by aligning HR strategy with corporate strategy, and by consistently applying its HR company-wide policy. The CSM divisions and operating companies are responsible for tailoring HR policy to their own specific market requirements, cultures and conditions. A functional HR organization has been implemented to ensure the implementation of the HR strategy. All business units and operating companies have HR managers on their leadership teams.

A global reward assessment and development policy for CSM management is maintained at the corporate level.

## 5.3 | Composition of Workforce

In 2008 Bakery Supplies saw an increase in personnel and PURAC a decrease. In total the number of employees at CSM remained stable at 8,433 at 31 December 2008. The distribution of employees over the various regions is shown in **Figures A and B**.

#### Diversity

Approximately 69% of CSM staff are male and 31% are female. (**Figures C**). The majority of all employees working at CSM are employed on the basis of a full-time contract (95%). Around 5% of all employees work on a part-time basis, the majority of which are female (76%).

#### Age

The average age of a CSM employee is 41.2 years. The average age of male and female employees is 41.8 and 39.7 years, respectively. This age distribution of male and female workers is generally applicable to all CSM divisions. In 2008, CSM Corporate had, on average, more older employees while PURAC had the youngest staff composition, due to intensive recruitment in the past ten years, as shown in **Figure D**.

## 5.4 | Duration of Employment

In 2008 the duration of employment amounted to 9.8 years for male workers and to 7.7 years for female workers (**Figure E**).

## 5.5 | Absenteeism

Many CSM plants run TPM (Total Productive Maintenance) and all CSM plants have additional safety programs, to ensure safe and healthy

working conditions for all CSM employees. We register absenteeism after 1 day. You can find the number of cases per workforce in **Figure F**.

## 5.6 | Employee Development

CSM's Management Development strategy is focused mainly on people with potential. Programs are available for the development of our managers: Leadership Development Program I for junior managers and Leadership Development Program II for

our senior managers. An amount of € 2.75 million was invested in CSM employees worldwide by the various operating companies (including CSM development programs). This breaks down to about € 326 per employee during 2008. (**Figure G**).

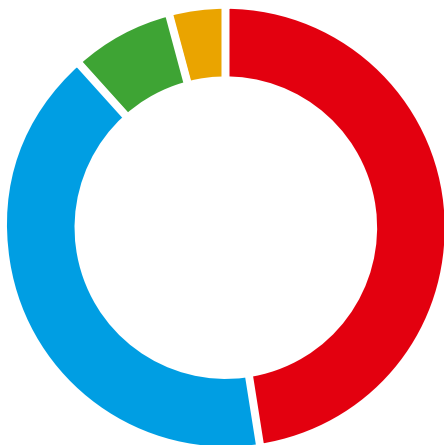
## 5.7 | Health and Safety

“No job is so urgent or important it cannot be done safely”, continues to be the main theme. We all strive to send everyone home from work the same way they came to work, injury free. For example, in 2008, PURAC embraced the Occupational Health and Safety Assessment Series (OHSAS 18001) to fortify the foundation already established in safety. PURAC is deploying a disciplined approach and, hence, striving to “walk the talk” when it comes to safety. It includes vital elements as communicating safety responsibility to management and employees, establishing safety rules, identifying hazards

through comprehensive surveys and hazard analysis. It also includes personalized safety training and instruction for job functions and investigation of all accidents and safety incidents.

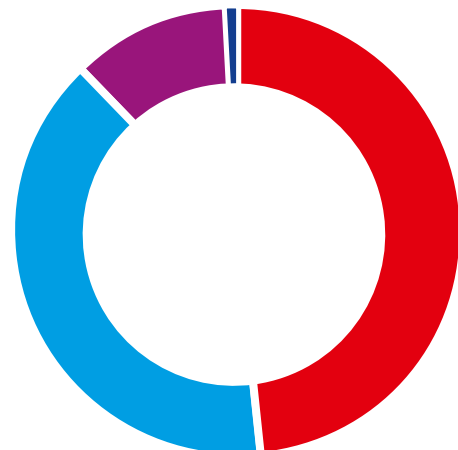
Finally, through working on employees' behaviors around safety, a safer work place is being created. For example in 2008, PURAC saw an almost 10% improvement in employee performance and, more significantly, 75% improvement in contractor safety, with the number of recordable Lost Time Injuries of PURAC's own employees decreasing from 8 (2007) to 3 (2008).

Regional distribution employees **Figure A**



47.5% Rest of Europe  
41.0% North America  
7.4% The Netherlands  
4.1% Rest of the world

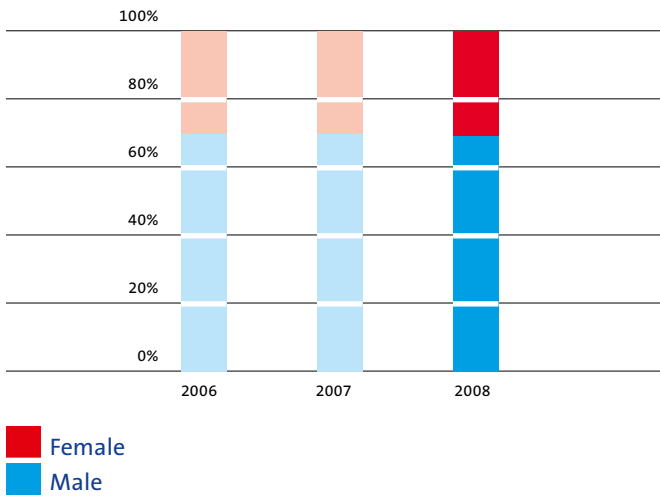
Total population per division **Figure B**



48.6% Bakery Supplies Europe  
39.3% Bakery Supplies North America  
11.5% PURAC  
0.6% Corporate

Male/Female ratio

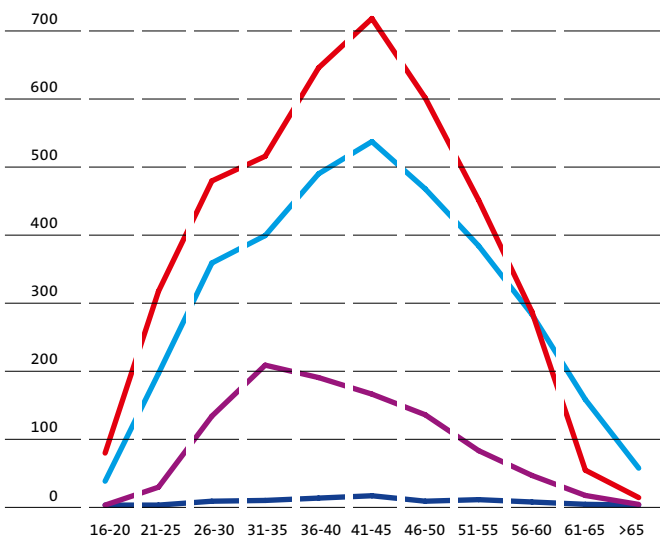
Figure C



Female  
Male

Age distribution per division

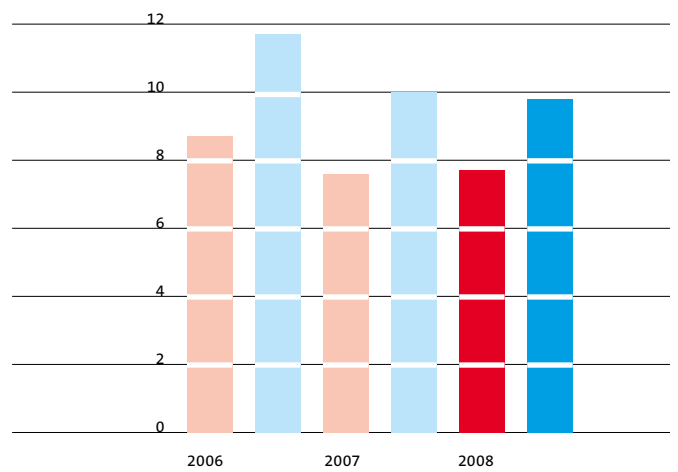
Figure D



Bakery Supplies Europe  
Bakery Supplies North America  
PURAC  
Corporate

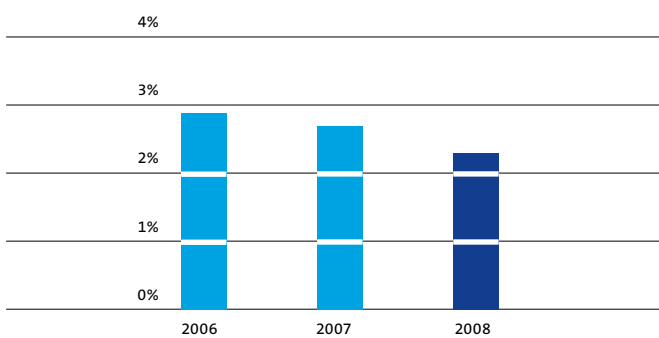
Average years of employment

Figure E



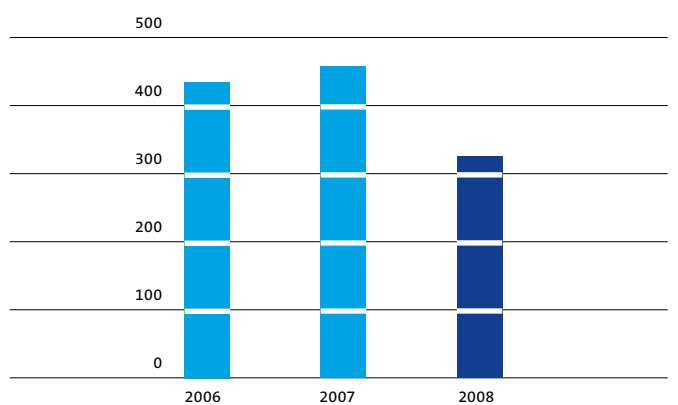
Absenteeism (> 1 day)

Figure F



Average Investment in Training and Education in € per Employee

Figure G



On Display  
Innovation Center

## Innovation is vital for CSM's product portfolio



### The Challenge

Innovation is vital for CSM in order to expand and develop its product portfolio and offer customers something new and interesting – all of which support the company's future sales growth.

### The Resolution

Innovation was made one of CSM's strategic pillars. A new R&D organization was launched in 2007, which included the foundation of four European Innovation Centers (ICs): Bakery Ingredients (Bingen, Germany), Frozen and Baked Products (Wirral, UK), Bakery Fats (Merksem, Belgium) and Sweet Ingredients (Goes, the Netherlands).

The approach to the new ICs has been threefold: People, Infrastructure and Program. The people aspect includes using existing staff that are interested in innovation and research, trainees from the CSM-wide trainee program and hiring more technical specialists (via recruiters and CSM's network). The infrastructure, i.e. site engineering, was handled by site engineers, the finance team and procurement. The program aspect is linked to CSM's strategy, which

determines what kind of products need to be developed. The European centers collaborate closely with the ICs in the US. In fact, teamwork is stressed – these centers may be based in specific countries but they operate internationally and also with the world's leading universities and institutes in our fields of operation.

### The Results

CSM expects a fair share of turnover to come from innovations by 2010. By joining forces, the centers fully leverage CSM's innovative ability worldwide. There is a now continuous stream of sessions where ideas are generated and a better (and more professionally managed) portfolio of projects than ever. This is resulting in market launches of innovative new products, often on an international scale and in close cooperation with major customers. One of many examples is the low sodium bread developed due to good health concern and now rolled out with a major UK customer.

# 6 | Planet

As a producer of bakery supplies, food ingredients and green chemicals, CSM is fully aware of the environmental impact of its

business operations. Consequently, this chapter addresses CSM's performance in terms of environmental impact of its operations.

## 6.1 | Environmental and Safety Policy

CSM requires all operating companies to comply with national, local, regional and all other applicable laws. Over and above this, they are to act as responsible members of the community and to prevent all sorts of avoidable nuisance to that community (emissions, logistic hindrance et cetera). CSM wishes to stimulate the development of sustainable products and technologies, aiming for continuity. The company wishes to promote an active role and participation in environmental protection initiatives. Creation of, or participation in, local environmental initiatives is encouraged.

CSM is committed to protecting the environment and the health and safety of its stakeholders by conducting business in a safe and environmentally sustainable manner. It is also committed to complying with all applicable governmental regulations and

internal company requirements. The company will maintain management systems designed to ensure continued environmental, health and safety (EHS) compliance and support continuous performance improvement. CSM will conduct regular evaluations to monitor EHS compliance and performance at its businesses worldwide. In support of CSM's mission, the commitment to the protection of human health and prevention of pollution as well as the integration of fundamental principles of resource conservation into business processes, facilities, operations, and products are fundamental.

CSM will work with business partners to support responsible EHS practices among our suppliers, contractors, and customers. CSM will strive for open communication and dialog on workplace health, safety, and environmental issues with our stakeholders and will respond to their EHS concerns and suggestions.

## 6.2 | Main Developments by Division

### CSM Bakery Supplies North America

A substantial reduction in electricity consumption was achieved at the H.C. Brill facilities this year; a total amount of 5,000 GJ was saved. At the same time, a reduction in natural gas consumption, of 13,700 GJ was reached by improving the energy efficiency of existing equipment.

Caravan Ingredients initiated projects at its production facilities that aim at reducing dependence on environmental resources, with cost savings of over 200,000 euros. Natural gas consumption will be reduced by 10,000 GJ through an improved process design for monoglycerides and boiler upgrades. Process vacuum systems were modified to save electricity and approximately 38,000 m<sup>3</sup> of drinking water annually. Improved process and equipment design due to product changes will reduce product waste resulting from necessary and frequent equipment cleaning.

### CSM Bakery Supplies Europe

In the supply chain projects have been implemented to move towards environmentally friendly packaging (from plastic to cardboard and the elimination of non-recyclable waxed paper). We have improved the separation of materials to allow for more recycling. Across the entire supply chain we aim at substantial improvements over the coming years. More focus was directed to the reduction of electricity and natural

gas consumption by improving operating equipment, insulation and operating procedures. Benefiting from our efforts to measure energy consumption in detail, we are able to prioritize energy saving projects. In Merksem we installed a CHP facility for Combined Heat and Power, which generates electricity and steam/hot water in a more energy efficient way.

At two sites noise levels were reduced in order to minimize the impact on the surrounding areas.

### PURAC

PURAC successfully completed the start-up of its new lactic acid plant in Thailand. Additional investments have been made in the treatment of waste water, to allow PURAC to directly discharge water to the sea. Brazil improved its operations significantly in 2008, greatly reducing the amount of waste from its plant. PURAC continues to look for innovative ways to turn by-product streams into product streams and/or eliminate these streams altogether. We have reached our target of reducing energy consumption and will continue to initiate energy reduction projects. With our commitment to "green" chemicals and products for renewable plastics, we believe we can further reduce our carbon footprint. We have successfully produced lactide (a component for bioplastic) and PURAC is now leading the way in making biodegradable plastics a reality.

## 6.3 | Impact

### **Environmental Management Systems**

Due to restructuring activities in 2008 the number of plants reduced from 42 to 40.

Three plants - two of PURAC and one of BSEU - have ISO 14001 certification.

### **Licenses, Commitments and Formal Notices**

All 40 facilities have the appropriate licenses. The number of formal notices which were received from authorities increased from 5 in 2007 to 10 in 2008.

### **Complaints and Environmental Nuisances**

Our operating companies are committed to ensuring that their operations do not adversely affect local communities.

The number of nuisance issues went down from 14 complaints in 2007 to 11 complaints in 2008. Out of the 11 complaints, 6 were related to noise (2007: 12) and 5 related to smell (2007: 2).

In 2008, an operational incident occurred with HCl at the PURAC biochem site in Gorinchem (the Netherlands) causing a spill of about 300 liters. The accident was caused by a leaking valve in the piping system.

The incident was controlled immediately and accurately and no personal injuries were caused. Corrective measures have been taken to prevent re-occurrence. (Figure H)

## 6.4 | Energy

CSM reports its CO<sub>2</sub> equivalents and energy consumption in accordance with the Greenhouse Gas protocol.

The overall energy index (GJ per ton of finished product) of CSM developed as shown in the table below. By cross-checking the available data it appeared that the overall energy index for 2007 reported last year, should be raised slightly from 2,81 GJ/ton to the updated value of 2,87 GJ/ton.

Year	Energy index GJ/ton	Energy use per year
2006	2.64	3,796,644 GJ
2007	2.87	4,164,716 GJ
2008	2.91	4,308,241 GJ

A breakdown by division shows that PURAC and BSNA improved their energy index for 2008 compared to 2007 and BSEU stabilized its energy index.

Still, the overall CSM energy index increased slightly from the revised 2.87 GJ/ton in 2007 to 2.91 GJ/ton in 2008, due to a proportional increase in volume produced by PURAC in 2008 versus the total volume produced by CSM. As the production process of PURAC is more energy intensive (higher energy use per ton of finished product) than the production processes of the Bakery Supplies, this proportional change caused an increase in the energy index.

The manufacturing footprint of PURAC changed significantly in 2008 compared to 2007.

In 2008 the lactic acid plant in Gorinchem, the Netherlands, was closed and the new built lactic acid plant in Thailand went into production. (Figure I)

## 6.5 | Emissions

CSM reports greenhouse gas emissions in carbon dioxide (CO<sub>2</sub>) equivalents. This includes direct CO<sub>2</sub> emissions from fuel burning for generating process heat and indirect CO<sub>2</sub> emissions from purchased electricity consumption. Greenhouse gases from operations such as fermentation are also included. CO<sub>2</sub> emissions related to outsourced production and transportation are not reported.

The reported CO<sub>2</sub> emissions include CO<sub>2</sub> from biogas combustion (14,764 GJ) and from used frying fat (14,616 GJ) fuelling a steam boiler. As this CO<sub>2</sub> is from organic origin it is considered as recycling CO<sub>2</sub>.

Indirect CO<sub>2</sub> emissions from electricity generation are calculated using GHG protocol rates. CO<sub>2</sub> rates for electricity per kWh are related to country regulations where the facilities are based.

Non-carbon dioxide greenhouse gases mainly consist of nitrous oxide generated by burning natural gas for process steam production. Data on emissions of cooling media from cooling and freezing installations is not collected.

For the first time in 2008, CSM participated in the Carbon Disclosure Project resulting in a score of 72 out of hundred points. Responding to this initiative, CSM aims to be as transparent as possible towards investors regarding our approach towards climate change. (Figure J)

### Other air emissions

In this category “Other air emissions” dust emissions decreased from 40 tons in 2007 to 29 tons in 2008. This improvement is mainly due to the installation of a new dust filter unit in the plant of H.C. Brill in Oak Creek Village in the US. Another improvement in this category came from PURAC’s PGLA1 lactic acid plant in Blair (US) where a new scrubber system was installed to reduce organic compositions to the environment. The scrubber went operational at the end of 2007 and this investment decreased Volatile Organic Compounds emission from 46 tons in 2007 to 22 tons in 2008. (Figure K)

## 6.6 | Transportation

Transport related CO<sub>2</sub> emissions are not included in this report.

On Display  
HC Brill

## Light savings at HC Brill



### The Challenge

To reduce electricity consumption at HC Brill’s facilities to achieve cost savings and to do the right thing in the long-term with regard to sustainability at the plants.

### The Resolution

HC Brill replaced its existing high energy using HID (high intensity discharge) lighting with T8 high output fluorescents at five of its six facilities (the sixth facility is relatively new and is already fitted with high efficiency lighting). The new lighting is not only more efficient, but is also brighter, which has improved the general lighting levels at the plants. Placement of the new lighting has also been optimized in order to better illuminate processing platforms. It is expected that this will further improve plant efficiency and health and safety. This is the first time that the same lighting will be used across all of Brill’s facilities, which benefits the standardization across the facilities, with small additional savings relating to economy of scale and maintenance costs.

### The Results

Overall savings of \$459,692 (€341,028) were achieved across the five plants at Montreal Road, BAF, Oak Creek, Buffalo and Spartanburg in 2008. Overall annual energy savings will amount to 1.857.207 KWH. This translates to \$141,887 (€105,261) in savings every year. Phase 2 at one of the bigger plants may result in further savings of \$80,000 (€59,000) a year.

## 6.7 | Packaging

In 2007 PURAC started applying re-usable and simplified packaging, the "WOW" package. This package is recyclable and consists of robust cardboard with an inner liner to contain packages of 1000 kg each. The internal liner can be replaced to provide a clean and food safe container. The WOW package was

successfully introduced in 2007 to various key customers and more widely implemented in 2008.

As KPI "Volume of packaging per ton of finished product" has been included in the Sustainability Report 2008 for the first time, we can not yet provide trend data.

## 6.8 | Water

By closing the lactic acid plant of PURAC in the Netherlands the intake of cooling water decreased by 2 million m<sup>3</sup> in 2008.

### Returned Water

A start was made on collecting COD loads in wastewater streams. However, the data delivered by the facilities is not yet available in a harmonized format to include in this report. (Figures L, M and N)

## 6.9 | Other Products

Gypsum and biomass are by-products of lactic acid production. Major initiatives from the past have succeeded to develop sustainable applications for these byproducts such as fertilizer for land application and gypsum for the

production of gypsum boards in the building industry. The increase in the volume of "Other products" is caused by a significant higher production level of lactic acid in 2008 compared to 2007. (Figure O)

## 6.10 | Waste

Waste data is split into non-hazardous waste and hazardous waste. Non-hazardous waste is material such as cardboard, paper, plastics, and general trash. Hazardous waste is any material that is dangerous or potentially harmful to human health or to the environment such as liquids, solids, contained gases, or sludges. The non-hazardous waste volume increased by around, 6000

tons, in 2008, due mainly to the destination of gypsum which is produced as a side stream in the PGLA1 lactic acid plant in the US. Part of this gypsum volume is used as a fertilizer for land application and part is discharged in landfill. In 2008 lower demand decreased the volume for land application compared to 2007. (Figure P and Q)

## 6.11 | TPM and Operational Excellence

CSM is implementing Total Productive Maintenance (TPM) in all its plants, as a key instrument to continuously performance improvement. Implementing TPM is an ongoing and long-term process. TPM enables significant and sustainable improvement results due to shared goals and team work. In 2008 European Bakery Supplies evaluated the TPM programs running at different sites and redefined their objectives in terms of the strategic programs developed at all of our sites which are aligned with the new European organization structure. Knowledge and best practices can be effectively shared in the

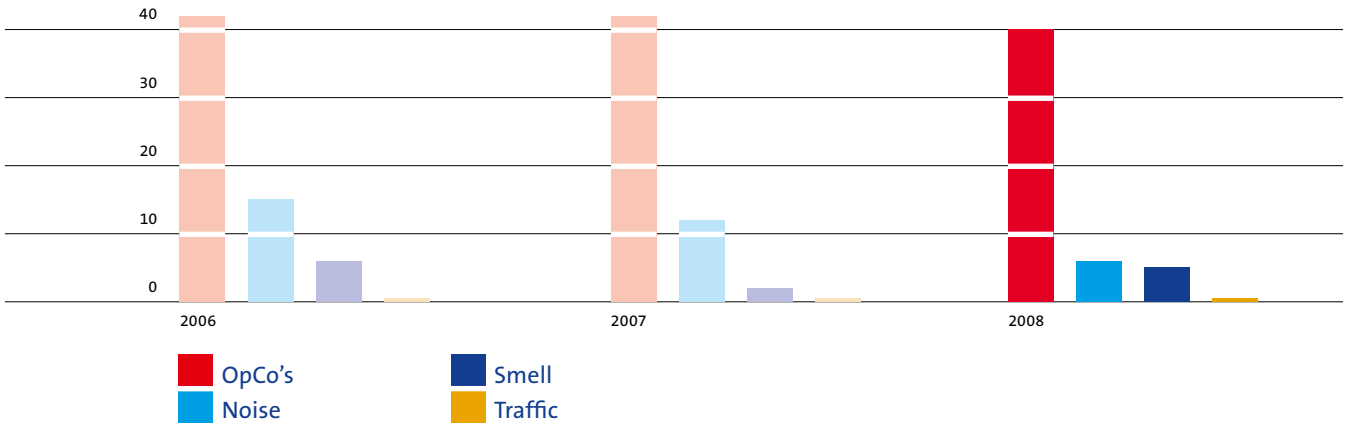
European network. Established internal audit systems will help drive improvement and high quality practices.

At our North American Bakery Supplies business three facilities showed progress by achieving the famous Level 1 Award of the Japanese Institute of Plant Maintenance (JIPM).

PURAC has also effectively introduced state-of-the-art preventive maintenance systems, resulting in better plant reliability at reduced maintenance cost.

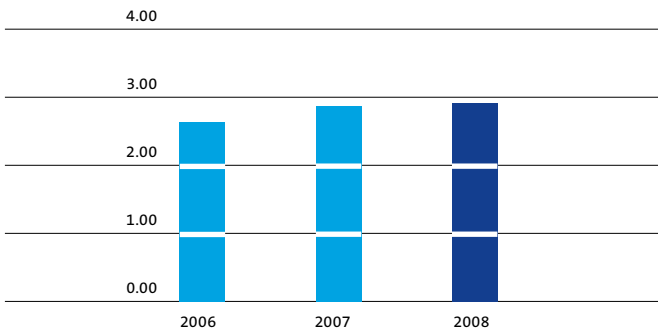
Environmental Nuisance Complaints

Figure H



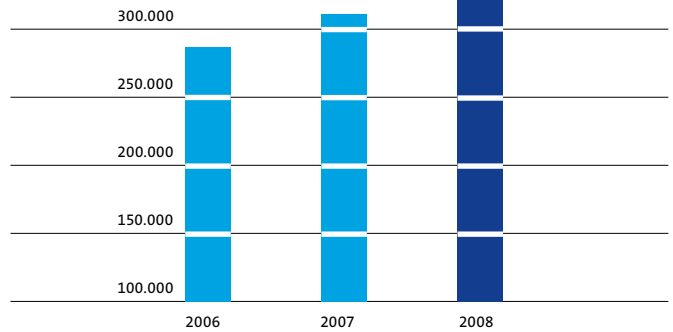
Energy Index (G-joules/ton product)

Figure I



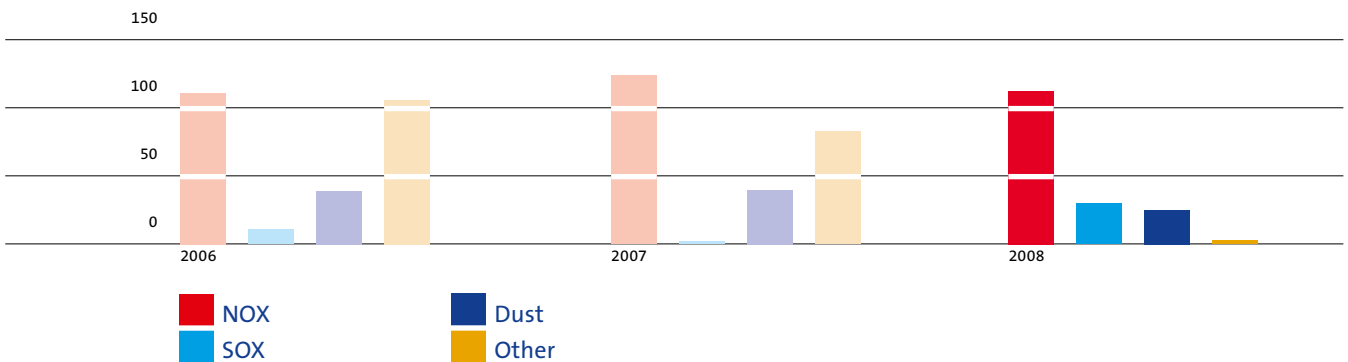
Total Greenhouse Gas Emissions (tonnes CO2 equivalent)

Figure J



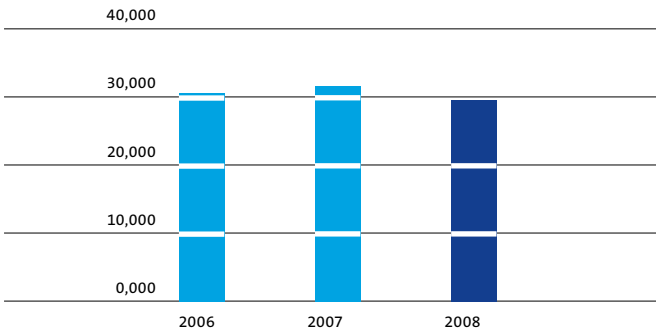
Air Emissions (tonnes)

Figure K



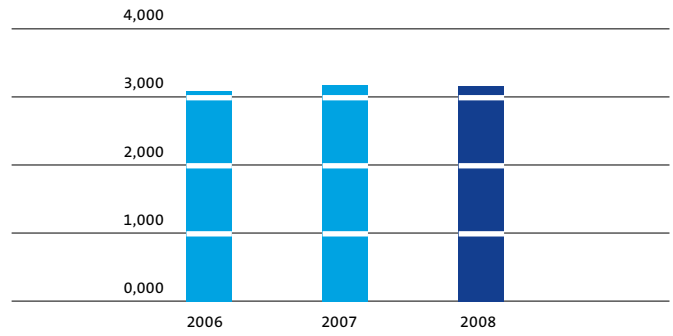
**Used Water (1000 m<sup>3</sup>)**

**Figure L**



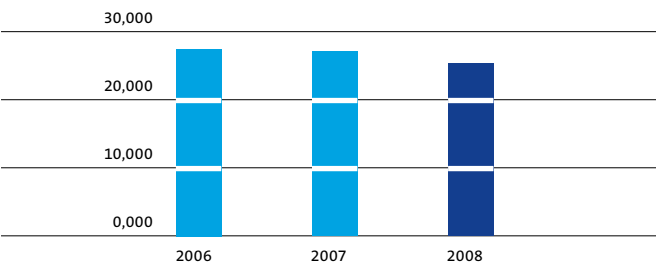
**Returned Water treated (1000 m<sup>3</sup>)**

**Figure M**



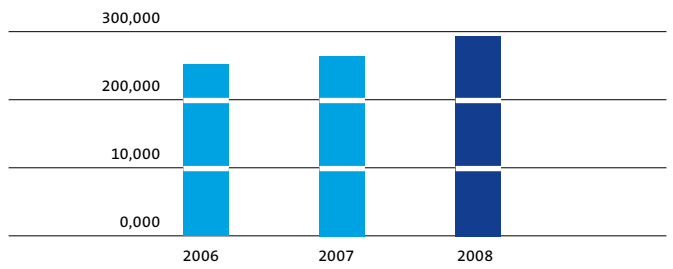
**Returned Water Non Treated (1000 m<sup>3</sup>)**

**Figure N**



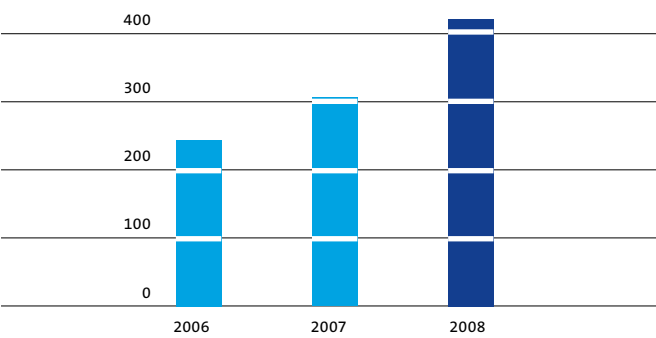
**Useful By-Products (tonnes)**

**Figure O**



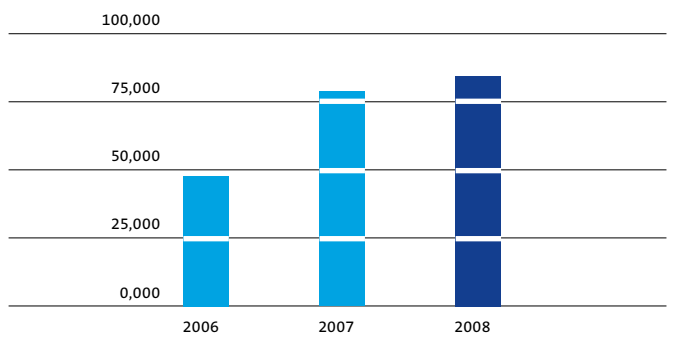
**Hazardous Waste (tonnes)**

**Figure P**



**Non-Hazardous Waste (tonnes)**

**Figure Q**



On Display  
Kates Cakes

## Dealing with diversity at Kate's Cakes

### The Challenge

Kate's Cakes employs around 482 people, 82% of which are factory/warehouse-based non management employees. Some 77% of these employees are not British and most do not speak English as their first language. In fact, there are 30 nationalities represented at the factory, and around 20 languages spoken. In addition, the company is based in a rural area in the UK where ethnic and national diversity is relatively new. This raised diversity challenges that had to be managed, e.g. tensions between different nationalities and races and language issues on the factory floor.

### The Resolution

The diversity challenge is tackled right from the moment someone is hired. New employees are given basic diversity awareness training at induction, along with awareness training on bullying and harassment. New employees are advised of the company's zero tolerance approach to discrimination, bullying and harassment of any kind. Dignity at Work training is delivered as a core module in the management- and team leader development courses and covers the legal position, the company's expectations and training on how to manage incidents. The training also encourages managers to view diversity as a positive element and to make the most of the benefits diversity brings to a team. Kate's Cakes plans to deliver more in-depth dignity at work training to non-management employees to ensure buy-in and involvement from all. With such a high number of nationalities and languages represented within the workforce, the business quickly decided that the only practical way to manage the issue was to insist on all recruits having at the very least a basic level of English. Potential recruits have to complete and pass a written English test and an interview in English. At induction they have to complete and pass basic food hygiene and HACCP courses which are also in English. The company provides some flexibility in their work hours to allow employees to attend English language classes at local colleges. The training materials were completely redesigned and rewritten four years ago to accommodate the increasing reliance on migrant labor. They are presented with plenty of photos of the tasks and simple language.



Kate's Cakes also introduced a Communications Policy, which requires that employees can only speak English while working. The justification for the policy is based on health and safety, productivity, team work and respect for each other. The policy has been in place for around 18 months, however, it has been a challenge to embed it successfully within the teams. There is a general belief among the employees that the principle is a good one. The next step is therefore to engage the employee representatives in a project to find a solution to this issue.

### The Results

Over the past three years, the company has experienced a decline in the number of incidents relating to diversity. In the last 12 months there have been only a couple of incidents that required the HR department's involvement. In addition, the business has seen an increasing number of non British employees being promoted to more skilled positions, such as Team Leader, Supervisor and roles within non-factory based departments. Four of the 15 supervisors today are not British, compared with none four years ago. Improved English language skills have enabled faster and more effective training and have positively impacted team work, productivity, health and safety, product quality and other key performance areas.

# 7 | Profit

millions of euros

	2008	2007
<b>Continuing operations</b>		
Net sales	2,599	2,486
EBITA before exceptional items	133	154
EBITA	113	65
Operating result	107	60
Result after taxes	90	56
Earnings per ordinary share in euros <sup>1</sup>	1.39	0.82
Diluted earnings per ordinary share in euros <sup>1</sup>	1.38	0.81
Cash flow from operating activities	99	143
Cash flow from operating activities per ordinary share, in euros <sup>1</sup>	1.55	2.15
Depreciation/amortization fixed assets	66	66
Capital expenditure on fixed assets	64	116
ROS % <sup>2</sup>	4.4	2.6
Result after taxes / net sales %	3.5	2.3
ROCE excluding goodwill % <sup>3</sup>	13.7	8.2
ROCE including goodwill % <sup>4</sup>	6.2	3.6
Number of employees at closing date	8,433	8,726
<b>Total operations</b>		
<b>Income statement:</b>		
Result after taxes	90	203
<b>Balance sheet:</b>		
Fixed assets	1,361	1,373
Current assets	662	638
Non-interest-bearing current liabilities	381	415
Net debt position <sup>5</sup>	528	456
Provisions	172	182
Equity	942	958
<b>Key data per ordinary share</b>		
Number of issued ordinary shares	62,031,279	66,331,279
Number of ordinary shares with dividend rights	61,868,026	61,802,201
Weighted average number of outstanding ordinary shares	61,849,251	65,280,284
Price as at 31 December	11.50	23.10
Highest price in calendar year	25.90	29.72
Lowest price in calendar year	9.43	22.35
Market capitalization as at 31 December	711	1,428
Earnings in euros	1.39	3.06
Diluted earnings in euros	1.38	3.05
Dividend in euros	0.88	0.88
<b>Other key data</b>		
Number of issued cumulative preference shares	2,983,794	2,983,794
Equity per share in euros <sup>6</sup>	14.52	14.78
<b>Ratios</b>		
Net debt position/EBITDA <sup>7</sup>	2.8	2.1
Interest cover <sup>8</sup>	4.9	7.6
Balance sheet total : equity	1:0.4	1:0.5
Net debt position : equity	1:1.8	1:2.1
Current assets : current liabilities	1:0.5	1:0.6
Dividend pay-out ratio	63.5	28.7

1 Per ordinary share in euros after deduction of dividend on cumulative preference shares.

2 ROS % is EBITA divided by net sales x 100.

3 ROCE excluding goodwill % is EBITA for the year divided by the average capital employed excluding goodwill x 100.

4 ROCE including goodwill % is EBITA for the year divided by the average capital employed including goodwill x 100. This takes account of all acquisitions since 1978, the year when CSM started the diversification process.

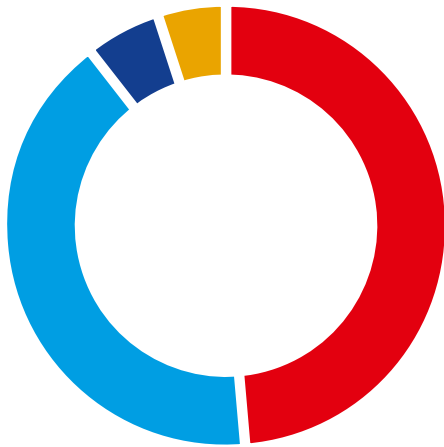
5 Net debt position comprises interest-bearing debts less cash and cash equivalents.

6 Equity per share is equity divided by the number of shares with dividend rights.

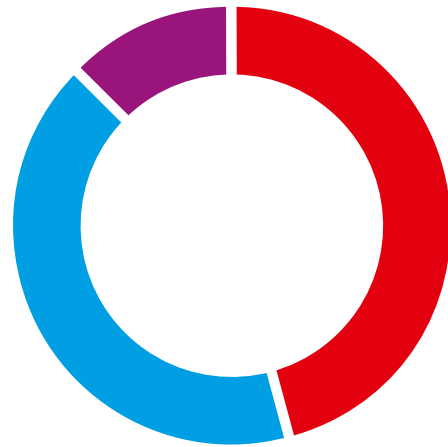
7 EBITDA is 'Earnings Before Interest, Taxes, Depreciation and Amortization' before exceptional items.

8 Interest cover is EBITA before exceptional items divided by net interest income and charges.

Net sales 2008 by region



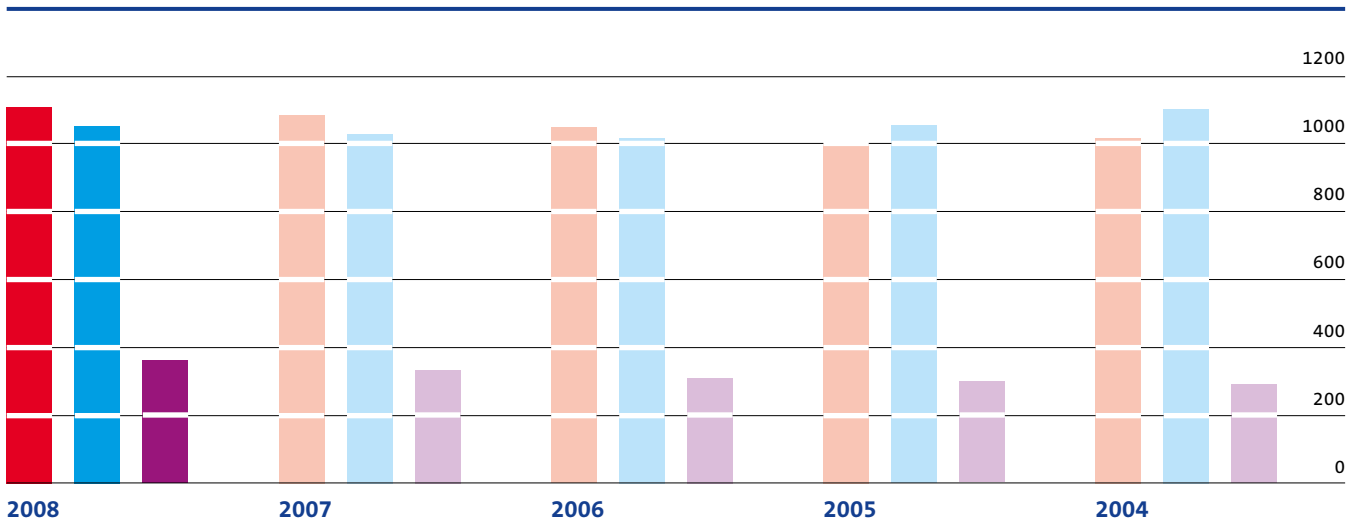
Net sales 2008 by division



■ 48.7% North America    ■ 5.3% Other Countries  
■ 41.0% Rest of Europe    ■ 5.0% The Netherlands

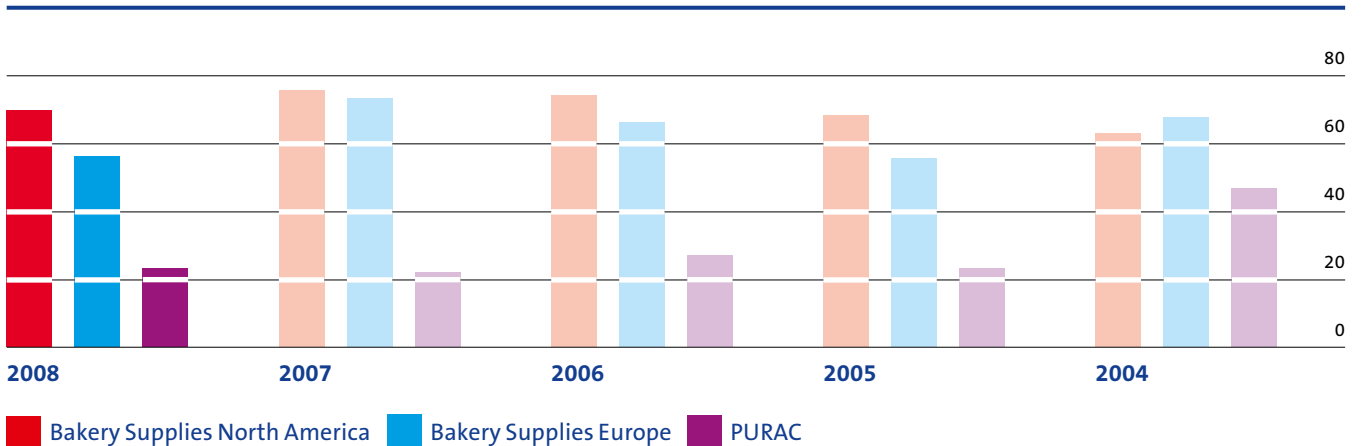
■ 45.5% Bakery Supplies North America    ■ 12.5% PURAC  
■ 41.0% Bakery Supplies Europe

Net sales 2004-2008, bakery and lactic acid activities



EBITA 2004-2008, bakery and lactic acid activities

Before exceptional items



■ Bakery Supplies North America    ■ Bakery Supplies Europe    ■ PURAC

## 8 | Outlook 2009

Throughout this Sustainability Report we have provided you with a balanced impression of the progress we made on our sustainability performance journey so far. We remain focused on defining sustainability related Key Performance Indicators and are making progress in setting quantifiable targets, e.g. for waste efficiency. We are convinced that by setting specific targets we will achieve even more sustainability goals.

CSM is actively involved in discussions with suppliers and customers to get a clearer picture of sustainability issues related to raw materials and the products and services we deliver. This reflects consumer concerns as well as CSM's awareness of the significance of the sustainability issues in the whole supply chain, from the farmer that sells his grain to the consumer who buys our bread.

As said before, sustainability should be seen as a journey rather than a destination. We have made progress over the past years, starting with getting a better understanding of where we were and what we could do to improve our sustainability agenda. In our journey, we have created an excellence program to focus on further improvements in three specific areas:

- Reducing our carbon footprint
- Improving our Health & Nutrition initiatives
- Continuing our Improvement Program:
  - Creating a better working environment for our employees
  - Improving the way we work (TPM and Lean programs).

CSM actively seeks to reduce its carbon footprint and stimulates the development of sustainable products and technologies, besides managing the environmental impact of CSM operations. We are optimizing our transportation and bringing

efficiencies to our processes as well as the manufacturing of our end products to reduce our footprint.

Health and nutrition have become the most important consumer trends today. Individuals and governments are becoming increasingly concerned about the effect of our daily diet on public health. Obesity and a lack of essential nutrients are serious health threats and are at the same time a daily reality for a large part of the world population. Best quality food is a top priority for us and we aim to improve the nutritional and health value of our product portfolio with our product improvement programs, "Good for you" and "Better for you." These programs reflect our focus on food innovation and our commitment to making a contribution to the debate about healthy nutrition. For example, the structural removal and reduction of trans fatty acids from our products remains a focus point.

Our ongoing Improvement Program is making good progress. We believe in an environment in which people can develop personally and professionally, and can work effectively to build a stronger organization. An important part of our Improvement Program is to improve the way we work in our locations. CSM is implementing TPM in all its plants to increase our productivity. We are also introducing the Lean programme in our locations, aiming at minimizing waste in all our ways of working and processes.

We believe we can make bigger steps in having selected three specific areas of focus in our sustainability approach. We look forward to continuing our journey and remain committed to a sustainable future in these challenging times.

# 9 | Scope of the Report

CSM uses the Sustainability Reporting Guidelines provided by the Global Reporting Initiative (GRI) to disclose its sustainability performance. Our Sustainability Report 2008 refers to the period between 1 January 2008 and 31 December 2008. During 2008, CSM has further restructured the reporting process aiming to make the Sustainability Report more transparent. One of the improvements at Bakery Supplies Europe is the use, on a quarterly basis, of parameters such as energy, greenhouse gas emissions, water, waste, and safety.

Our Sustainability Report for 2008 adheres to G3 Guidelines (2006) of the Global Reporting Initiative. Some modest improvements were made regarding the reporting on the management approach and organizational context of sustainability at CSM, as well as to the explanation of the included sustainability indicators. Also, efforts have been made to put our sustainability performance and challenges in a contextual setting to provide more insight into relevant sustainability issues in CSM operations.

In general, the reporting criteria and the presentation of information are consistent with previous Sustainability Reports.

The Sustainability Report 2008 includes performance data of CSM wholly-owned and majority operations. It does not cover any joint ventures or participations. CSM does not yet report on subcontractors, for example suppliers of semi-finished goods and raw materials.

The Sustainability Report 2008 covers 40 facilities versus 42 in 2007.

In reporting on sustainability CSM relies on data gathered annually using People, Planet and Profit questionnaires for each operating company. The data in this report is based on actual measurements, unless stated otherwise. The report contains both absolute and relative figures, so that readers can benchmark CSM's 2008 sustainability performance against its historical performance, regardless of organizational (negative) growth. It aims to present the CSM data as complete and accurate as possible within the set report boundaries.

All operational data is validated and screened by CSM senior management.

There are no re-statements of information provided in previous reports, unless stated otherwise.

# 10 | GRI cross reference list

		Page
<b>Strategy and Analysis</b>		
1.1	CEO statement about relevance of sustainability and CSMs strategy	3
1.2	Description of key impacts, risks, and opportunities	Not reported
2.1	Name of the organization	6
2.2	Primary brands, products, and/or services	6
2.3	Operational structure	7
2.4	Location of organization's headquarters	7
2.5	Number of countries and countries with significant operations or specific sustainability issues	7
2.6	Nature of ownership and legal form	Annual report
2.7	Markets served (including geographic breakdown, sectors served, and types of customers)	7
2.8	Scale of the reporting organization	4
2.9	Significant changes during the reporting period regarding size, structure, or ownership	30
2.10	Awards received in the reporting period	Not reported
<b>Report profile</b>		
3.1	Reporting period (e.g., fiscal/calendar year) for information provided	30
3.2	Date of most recent previous report	30
3.3	Reporting cycle (annual, biennial, etc.)	30
3.4	Contact point for questions regarding the report or its contents	34
<b>Report scope and boundary</b>		
3.5	Process for defining report content	Not reported
3.6	Boundary of the report	30
3.7	Limitations on the scope or boundary of the report	30
3.8	Reporting basis	30
3.9	Data measurement and deviation from GRI protocols	30
3.10	Re-statements of information	30
3.11	Significant changes during the from previous reporting periods in the scope, boundary and measurements	30
<b>GRI Content Index</b>		
3.12	GRI content index	31-33
<b>Assurance</b>		
3.13	Assurance	Not reported
<b>Governance</b>		
4.1	Governance structure	Annual report
4.2	Indicate relation between chair of the highest governance body and executive officer	Annual report
4.3	Independence of board members	Annual report
4.4	Shareholder feedback mechanisms	Annual report
4.5	Executive compensation and non-financial goals	Annual report
4.6	Processes in place for the highest governance body to ensure conflicts of interest are avoided	Annual report
4.7	Process for defining qualifications and expertise of board members on SR themes	Annual report
4.8	Internally developed mission, values and codes of conduct	8, 10
4.9	Procedures of the highest governance body for overseeing the organization's identification and management of economic, environmental, and social performance	Annual report
4.10	Evaluation of highest governance body's own performance, particularly with respect to economic, environmental, and social performance	Annual report

Commitment to external initiatives		
4.11	Precautionary principles	Not reported
4.12	External developed charters, principles or initiatives	Not reported
4.13	External membership	12-14
Stakeholder engagement		
4.14	List of stakeholder groups engaged by CSM	12-14
4.15	Identification and selection of stakeholders	12-14
4.16	Stakeholder consultation	12-14
4.17	Stakeholders' key concern and incorporation in strategy	12-14
Economic performance indicators		
EC1	Direct economic value generated and distributed	4, 27-28
EC 2	Financial implications and other risks and opportunities for the organization's activities due to climate change	Not reported
EC 3	Coverage of the organization's defined benefit plan obligations	Not reported
EC 4	Significant financial assistance received from government	Not reported
EC6	Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation	Not reported
EC 7	Procedures for local hiring and proportion of senior management hired from the local community at significant locations of operation	Not reported
EC 8	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement	Not reported
Environmental performance indicators		
EN 1	Materials used by weight or volume	Not reported
EN 2	Percentage of materials used that are recycled input materials	Not reported
EN 3	Direct energy consumption by primary energy source	5, 21
EN 4	Indirect energy consumption by primary source	5, 21
EN 8	Total water withdrawal by source	5, 23
EN 11	Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	Not reported
EN 12	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas	Not reported
EN 16	Total direct and indirect greenhouse gas emissions by weight	5, 22, 24
EN 17	Other relevant indirect greenhouse gas emissions by weight	Not reported
EN 19	Emissions of ozone-depleting substances by weight	Not reported
EN 20	NOx, SOx, and other significant air emissions by type and weight	5, 22, 24
EN 21	Total water discharge by quality and destination	5, 23
EN 22	Total weight of waste by type and disposal method	5, 23
EN 23	Total number and volume of significant spills	21
EN 26	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation	Not reported
EN 27	Percentage of products sold and their packaging materials that are reclaimed by category	Not reported
EN 28	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	Not reported

Labour practices and decent work performance indicators		
LA 1	Total workforce by employment type, employment contract, and region	4
LA 2	Total number and rate of employee turnover by age group, gender, and region	Not reported
LA 4	Percentage of employees covered by collective bargaining agreements	Not reported
LA 5	Minimum notice period(s) regarding significant operational changes, including whether it is specified in collective agreements	Not reported
LA 7	Rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities by region	4, 17-18
LA 8	Education, training, counselling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases	4, 17
LA 10	Average hours of training per year per employee by employee category	4, 17-18
LA 13	Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership, and other indicators of diversity	Not reported
LA 14	Ratio of basic salary of men to women by employee category	Not reported
Human Rights performance indicators		
HR 1	Percentage and total number of significant investment agreements that include human rights clauses or that have undergone human rights screening	Not reported
HR 2	Percentage of significant suppliers and contractors that have undergone screening on human rights and actions taken	Not reported
HR 4	Total number of incidents of discrimination and actions taken	Not reported
HR 5	Operations identified in which the right to exercise freedom of association and collective bargaining may be at significant risk, and actions taken to support these rights	Not reported
HR 6	Operations identified as having significant risk for incidents of child labour, and measures taken to contribute to the elimination of child labour	Not reported
HR 7	Operations identified as having significant risk for incidents of forced or compulsory labour, and measures taken to contribute to the elimination of forced or compulsory labour	Not reported
Society performance indicators		
SO 1	Nature, scope, and effectiveness of any programs and practices that assess and manage the impacts of operations on communities, including entering, operating, and exiting.	Not reported
SO 2	Percentage and total number of business units analyzed for risks related to corruption	Not reported
SO 3	Percentage of employees trained in organization's anti-corruption policies and procedures	Not reported
SO 4	Actions taken in response to incidents of corruption	Not reported
SO 5	Public policy positions and participation in public policy development and lobbying	Not reported
SO 8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations	Not reported
Product responsibility performance indicators		
PR 1	Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures	Not reported
PR 3	Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements	Not reported
PR 6	Programs for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship	8
PR 9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services	Not reported

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