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CORPORATE GOVERNANCE REPORT FOR THE FINANCIAL YEAR 2013/2014

Corporate governance covers the system of managing and monitoring a company, including its organisational structure, its corporate policies and guidelines as well as the internal and external mechanisms of control and monitoring. Nordzucker AG attaches great importance to well-structured, authentic corporate governance as it ensures that the management of the company is carried out in the spirit of long-term value creation. It fosters the confidence of shareholders, financial markets, business partners, staff and the general public in the management and monitoring of the Nordzucker Group.

Corporate governance is the foundation for the decision-making and controlling processes at Nordzucker AG. The activities of Nordzucker AG are carried out in accordance with clearly defined guidelines. These guidelines ensure that the company's actions are systematically aligned with the interests and expectations of shareholders, customers, business partners and staff.

For publicly traded companies the principles of good company management are laid down in the [German Corporate Governance Code](#) (hereafter known as the Code). The Code consists of recommendations and suggestions for good company management and also describes statutory obligations for publicly listed companies. Publicly traded companies must issue an annual statement on compliance with the Code's recommendations pursuant to Sec. 161 of the German Stock Corporation Act (AktG). This declaration relates to both past and future periods. The Code is intended for listed companies, but non-listed companies are also well advised to follow its recommendations. As Nordzucker AG is not listed on a stock exchange it is not legally obliged to issue a statement in accordance with Sec. 161 AktG. Nordzucker AG therefore studies the Code's recommendations closely on a voluntary

basis and reports at regular intervals, generally annually, on the company's own corporate governance. This includes making a declaration on the recommendations of the Code, which reflects the contents of the [statement of compliance](#) required under Sec. 161 AktG. To the extent that the Code refers to statutory obligations of publicly quoted companies outside the scope of its recommendations, these are not applicable to Nordzucker AG. The company also assumes no voluntary obligation to adhere to them.

The actions of all our staff are aimed at earning an appropriate and sustainable profit, continually generating growth and increasing our market share. Continuous improvement of all business processes by competent, well-managed staff earning performance-related pay secures the existence and the systematic long-term development of the company in an ever-changing competitive environment.

Meeting high standards for food and animal feed quality and safety, conserving resources, continuously minimising and preventing environmental damage as well as safeguarding health and safety at work are an integral part of all Nordzucker's activities. Particular importance is attached to avoiding and preventing errors.

The Executive Board of Nordzucker AG is responsible for determining company policy. It sets corporate strategy, plans and approves company budgets, decides on the allocation of resources and monitors company development. The Executive Board is also responsible for preparing the quarterly and annual financial statements for Nordzucker AG and the consolidated financial statements.

The Supervisory Board of Nordzucker AG has 21 members. Two-thirds of the Supervisory Board members represent the shareholders and one-third represents the workforce. The Supervisory Board monitors the Executive Board and advises it on the management of the company. The Supervisory Board regularly discusses the course of business and company planning as well as corporate strategy and its implementation. It examines and approves the annual financial statements of Nordzucker AG and the consolidated financial statements for the Group, giving due regard to the auditors' report and the results of the examination by the Audit Committee. Major Executive Board decisions are subject to its approval.

In order to reflect recommendation 5.4.1 of the **German Corporate Governance Code**, the Supervisory Board decided on 10 March 2011 to take the following elements relating to its composition into account:

- > at least three Supervisory Board seats for people with a particularly international background (e.g. from having worked abroad or holding foreign citizenship);
- > at least three Supervisory Board seats for people who hold no functions at customers, farmers' associations or other business partners; and
- > at least two Supervisory Board seats for women.

At present these targets have been met. In addition, the rules of procedure for the Supervisory Board envisage that an age limit of 65 years should apply to proposals for election to the Supervisory Board.

DECLARATION BY NORDZUCKER AG ON THE GERMAN CORPORATE GOVERNANCE CODE IN LINE WITH SEC. 161 AKTG (GERMAN STOCK CORPORATION ACT)

The Executive Board and Supervisory Board of Nordzucker AG, Braunschweig, have examined the recommendations of the **German Corporate Governance Code** as amended on 13 May 2013 in detail. Although the German Corporate Governance Code is not binding for Nordzucker AG, which is not publicly listed, the company has complied and continues to comply with the recommendations it contains, with the following exceptions:

1. Beyond the requirements for companies that are not publicly listed, the Supervisory Board includes two members who are financial experts within the meaning of Sec. 100 paragraph 5 AktG. Neither of these financial experts chairs the Audit Committee, but both are members of it (Number 5.3.2).
2. Given the particular significance of agricultural expertise for the company, conflicts of interest to which Supervisory Board members may be subject are of secondary importance (Number 5.5.3).
3. As Nordzucker AG is included in the consolidated financial statements of Nordzucker Holding Aktiengesellschaft, the latter has a particular need for information (Number 6.1).

To the extent that the Code refers to statutory obligations of publicly quoted companies outside the scope of its recommendations, these are not applicable to Nordzucker AG. The company also assumes no voluntary obligation to adhere to them. Otherwise, we refer to the comments in the Corporate Governance Report.

Braunschweig, March 2014

Hartwig Fuchs
Chief Executive Officer

Hans-Christian Koehler
Chairman of the
Supervisory Board

REPORT BY THE SUPERVISORY BOARD
OF NORDZUCKER AG FOR
THE FINANCIAL YEAR 2013/2014



*Hans-Christian Koehler,
Chairman of the Supervisory Board*

DEAR SHAREHOLDERS,

In the financial year 2013/2014, the Supervisory Board of Nordzucker AG carried out the duties required of it in particular by statutes, the company's Articles of Association and rules of procedure; advising and monitoring the Executive Board of Nordzucker AG and the Nordzucker Group on an ongoing basis.

To do so, the Supervisory Board held four ordinary meetings in the financial year 2013/2014, in March, May, October and November 2013. It met for its constitutive meeting after the Annual General Meeting in July 2013 and held an extraordinary meeting in February 2014.

The Executive Board fulfilled its obligations and informed the Supervisory Board regularly, both orally and in writing, promptly and comprehensively about events of importance for the company. They included matters of strategy, company planning, the course of business, the current state of the company, its strategic development, the risk position, risk management and transactions of particular significance. Furthermore, all matters requiring the authorisation of the Supervisory Board were presented to us for approval. After thorough review and discussion, the Supervisory Board gave its approval to the Executive Board proposals. Furthermore, the Supervisory Board discussed in detail the Group's plans for the financial year 2013/2014, the medium-term planning and the earnings forecasts for the past financial year.

In addition to the Supervisory Board meetings, the Chairman of the Supervisory Board was in regular contact with the Executive Board. He was informed of the current state of business and major transactions and discussed matters of strategy, planning, corporate development, risk exposure, risk management and compliance affecting the company.

FOCAL POINTS

In view of the decision that has now been taken to let the European **sugar market regime** expire on 30 September 2017, the Supervisory Board again concentrated this year on accompanying the Executive Board in its deliberations concerning the strategic development of the Nordzucker Group.

The Supervisory Board welcomes the decision to deploy various project and working groups to look in depth at the changing operating environment.

The Supervisory Board was also kept abreast of European and global developments and prospects for the sugar market and their importance for the Nordzucker Group by the Executive Board. It supports the further internationalisation of the Nordzucker Group, also outside Europe, as planned by the Executive Board. In March 2013 an informative strategy meeting was held on this topic and in February 2014 it was discussed at an extraordinary Supervisory Board meeting.

The Supervisory Board is pleased that, following the departure of Dr Niels Pörksen in September 2013, the Executive Board could be brought back to full strength from within the company with the appointment of Dr Lars Gorissen as of 1 March 2014. The Supervisory Board also extended the period of office of Hartwig Fuchs as Chief Executive Officer and the contracts with Mats Liljestam and Dr Michael Noth, so that the continuity of the Executive Board's work is assured.

The Supervisory Board prepared the proposal put to the Annual General Meeting on amending the Articles of Association with respect to the remuneration of the Supervisory Board. The Annual General Meeting approved the proposal in July 2013, bringing the variable remuneration of the Supervisory Board members into line with the recommendation of the **German Corporate Governance Code**, which states that remuneration should be based on sustainable company performance. From the financial year 2013/2014 onwards, the variable remuneration is linked to the average dividend for the past three financial years (*see also the Remuneration Report in this Annual Report*).

The Supervisory Board welcomes the merger of Nordharzer Zucker Aktiengesellschaft and Nordzucker Holding Aktiengesellschaft voted at the Annual General Meetings in July 2013, which took effect retroactively as of 1 April 2013 in September 2013. In Nordzucker Holding Aktiengesellschaft Nordzucker AG now has an even stronger anchor shareholder, alongside Union-Zucker Südhannover Gesellschaft mit beschränkter Haftung and the direct shareholders, which now holds 84.1 per cent of the shares and voting rights in Nordzucker AG.

The Supervisory Board also received regular information from the Executive Board about the status of the antitrust proceedings. The investigation by the German competition authority was completed in February 2014 after several years. The European Commission also concluded its antitrust investigation, which led to a search of Nordzucker AG's offices in April 2013, without imposing any penalty. The Supervisory Board believes that the compliance measures taken in the Nordzucker Group, particularly those launched since March 2009, will prove effective.

Furthermore, we discussed the recommendations and suggestions of the [German Corporate Governance Code](#). The Executive Board and Supervisory Board have issued an updated statement of compliance in accordance with Sec. 161 AktG (Stock Corporation Act), which has been made permanently available to shareholders on Nordzucker AG's website (see also the *Corporate Governance Report* and the [statement of compliance](#) in the *Annual Report*).

PERSONNEL MATTERS CONCERNING THE SUPERVISORY BOARD AND ITS COMMITTEES

On 11 July 2013, the Annual General Meeting re-elected the members Hans Jochen Bosse and Helmut Meyer to the Supervisory Board, following the end of their period of office. Hans Jochen Bosse was re-elected until the close of the Annual General Meeting that votes on exonerating the boards for the financial year 2017/2018, and Helmut Meyer, for age reasons, until the close of the Annual General Meeting that votes on exonerating the boards for the financial year 2014/2015.

In its constitutive meeting on 11 July 2013, the Supervisory Board re-elected Hans-Christian Koehler as Chairman of the Supervisory Board of Nordzucker AG. The shareholder representative Helmut Meyer and the employee representative Dieter Woischke were re-elected as Deputy Chairmen. At its constitutive meeting the Supervisory Board also elected the shareholder representatives Michael Gerlif, Dr Harald Isermeyer, Jochen Johannes Juister and Andreas Scheffrahn as well as the employee representatives Sigrun Krussmann and Dieter Woischke as members of the Supervisory Board Executive Committee. The Supervisory Board elected Dr Harald Isermeyer and Dieter Woischke to the Human Resources Committee. Gerhard Borchert, Dr Harald Isermeyer, Dr Hans Theo Jachmann and Helmut Meyer were elected to the Nomination Committee. Hans-Christian Koehler is Chairman of the Supervisory Board and therefore a member and Chairman of the Supervisory Board Executive Committee, the Human Resources Committee and the Nomination Committee. In addition the Supervisory Board elected Michael Gerlif, Matts Eskil Rosendahl, Andreas Scheffrahn, Ulf Gabriel and Marina Strootmann to the Audit and Finance Committee. Andreas Scheffrahn was elected as Committee Chairman.

SUPERVISORY BOARD COMMITTEES

The Executive Committee of the Supervisory Board met four times in the financial year 2013/2014. The Supervisory Board Executive Committee dealt in particular with the important matters concerning the Nordzucker Group as well as its strategic direction following the expiry of the sugar market regime and discussed these in detail with the Executive Board. In addition, the Executive Committee prepared the Supervisory Board meeting and looked closely at the declaration by Nordzucker AG on the [German Corporate Governance Code](#) in line with Section 161 German Stock Corporation Act (AktG).

The Audit and Finance Committee also met four times in the financial year 2013/2014. It dealt regularly with Group and investment planning, quarterly reports and the interim financial statements for the Nordzucker Group and Nordzucker AG, forecasts for the financial year 2013/2014, the risk management system, the effectiveness, capacities and

findings of the internal audit department, and the internal control system. In the presence of the auditors, the committee discussed the accounts and management reports for the Nordzucker Group and Nordzucker AG for the financial year 2012/2013. Its work also included appointing the auditors for the financial year 2013/2014 and verifying their independence. Furthermore, the Audit and Finance Committee made a recommendation to the Supervisory Board for its proposal to the Annual General Meeting on the election of auditors for the financial year 2013/2014. The examination and approval of the individual and consolidated financial statements and the dependent company report for the past financial year as well as the proposal for election of the auditors for the financial year 2014/2015 were prepared at an additional meeting outside the period under review.

The Human Resources Committee met twice in the financial year 2013/2014. It dealt in particular with the appointment of Dr Lars Gorissen to bring the Executive Board back to full strength as well as with the changes to the contracts of the other Executive Board members described above, and put forward the corresponding proposals to the Supervisory Board. The committee also reviewed the remuneration of the Executive Board members and prepared the Supervisory Board's decision on their variable remuneration (*see Remuneration report in the Annual report*).

The Nomination Committee met once in the financial year 2013/2014 and gave a recommendation to the Supervisory Board on its proposal to the Annual General Meeting concerning elections of shareholder representatives to the Supervisory Board.

FINANCIAL STATEMENTS 2013/2014

The Executive Board presented the Supervisory Board in good time with the annual financial statements for 2013/2014 of Nordzucker AG and the Group, the management report and the Group management report, the proposal for the use of profits and the report on related party transactions.

Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Hanover, audited the 2013/2014 financial statements for Nordzucker AG and its management report, the consolidated IFRS financial statements and the Group management report. It issued each with an unqualified audit opinion and presented the auditors' reports to the Supervisory Board in good time. The auditors also audited the dependent company report, presented it to the Supervisory Board in good time and gave the following opinion: "Following our professional audit and assessment we confirm that 1. the factual statements in the report are correct, and 2. that the consideration paid by the company in the transactions listed in the report was not inappropriately high."

The aforementioned documents were examined thoroughly by the Audit and Finance Committee and the Supervisory Board, and were discussed in detail in the presence of the auditors following their report on the main findings of the audit. The Supervisory Board concurs with the result of the audit and concluded from its own examination that it has no objections to make. The Supervisory Board approved the annual financial statements as prepared by the Executive Board, which are thereby adopted. The Supervisory Board also approved the Executive Board's proposal for the use of distributable profit.

Altogether the financial year 2013/2014 went very well. Our thanks go to the Executive Board and all the employees of the Nordzucker Group.

Braunschweig, Germany, 22 May 2014

Hans-Christian Koehler
Chairman of the Supervisory Board