



nutreco csr report

2006



sustainable management of natural resources

nutreco people
& investing in the community

feed-to-food quality

climate change



Corporate social responsibility is a top priority for Nutreco. We know that only companies that are well connected with society and consumer's changing opinions and concerns can succeed. Growth will bring more people into Nutreco and extend our geographical coverage, increasing the significance of our actions, policies and decisions. Our continuing commitment to corporate social responsibility is essential for success.

wout dekker, 15 march 2007

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chapter one | nutreco in a nutshell



nutreco's profile

Nutreco Holding N.V.

Nutreco Holding N.V. is an international animal nutrition and fish feed company in aquaculture, with revenues totalling EUR 3,009 million in 2006. The company has a selective presence in the various stages of the fish and meat production chains. With the knowledge of these chains, Nutreco is able to create added value for its customers in about 80 countries in the world.

Nutreco's activities can be divided into the business segments of compound feed (Hendrix and Nanta), premix and speciality feed (Trouw Nutrition), fish feed (Skretting) and meat (Sada and Inga Food). Nutreco has a workforce of 7,919 (31 December 2006) in 75 production plants in 20 countries and in sales offices in other countries.

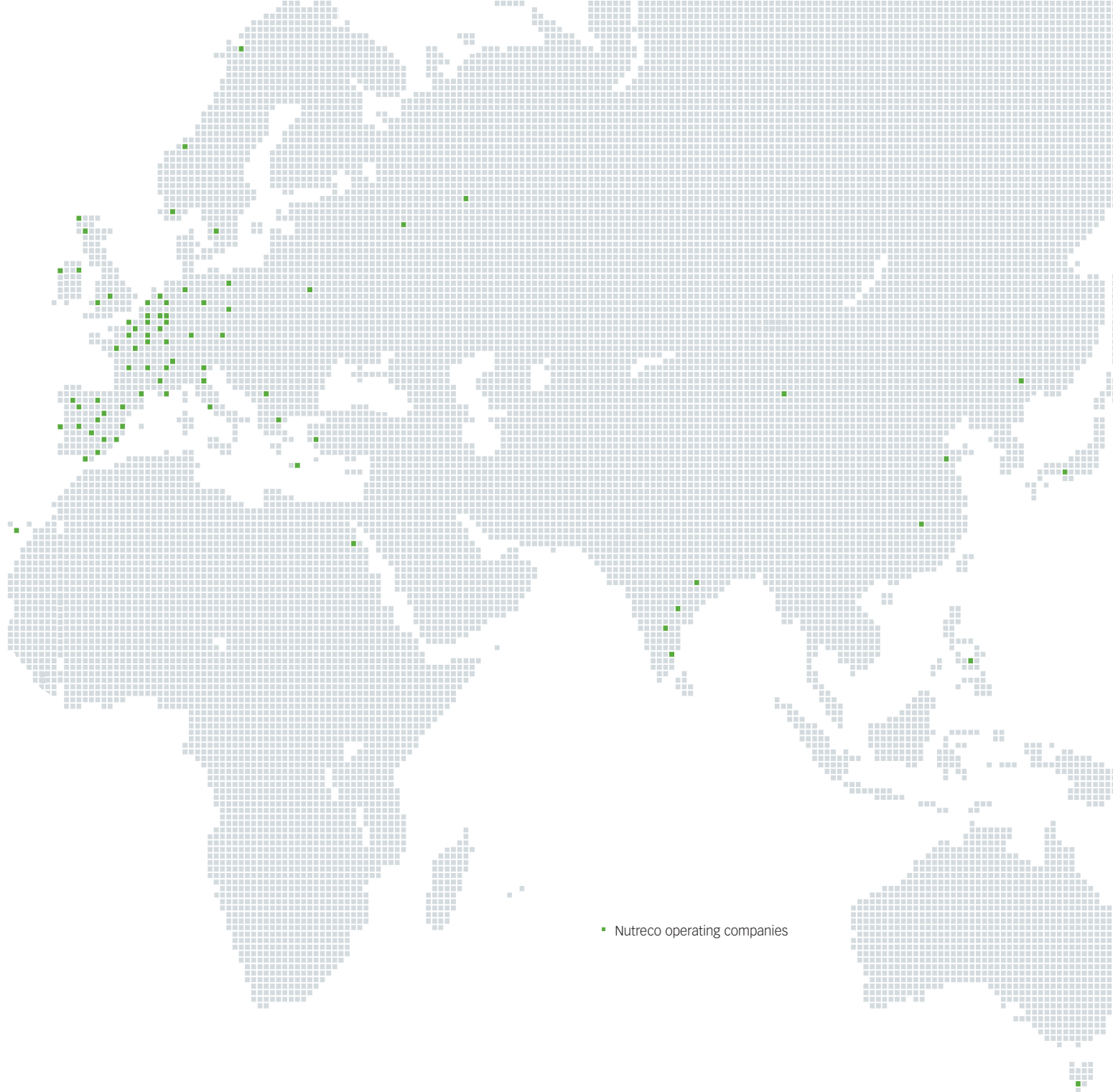
Nutreco Holding N.V. is quoted on the Official Market of Euronext Amsterdam and is included in the Amsterdam Midkap Index and the Euronext 150 Index.

Compound feed

Nutreco supplies a broad range of compound feed formulated to meet the nutritional needs of farm animals such as poultry, pigs and ruminants. Production takes place in the Hendrix companies in the Netherlands, Belgium and Germany and in the Nanta and Agrovic companies in Spain and Portugal.

Premix and speciality feed

The premix and speciality feed activities are carried on by Trouw Nutrition International. Trouw Nutrition supplies premixes and concentrates, feed specialities and nutritional services. Production takes place in the Netherlands, the United Kingdom, the United States, Italy, Germany, Spain, China, Mexico, Brazil and other countries.



Fish feed

Skretting is the leading player on the global salmon feed market. The principal salmon and sea trout feed regions are Norway, Chile, Scotland, Ireland, Canada and Australia. The main markets for other fish feed are Europe, Asia and Australia. Skretting has 15 production facilities in all major fish farming regions. Skretting companies produce feeds for around 50 species of farmed fish.

Meat

Nutreco's meat activities mainly relate to the production of broilers and the processing and sale of poultry products in Spain. Nutreco subsidiary Sada is the number one poultry processor in Spain, with a market share of 28%. Sada supplies to customers in

the retail, food service and industry sectors. Besides Sada, Nutreco also has a broiler trading activity, which is related to Hendrix's compound feed activities in the Netherlands, and a pig facility in Spain, which is related to Nanta.

Marine Harvest

On 6 March 2006, pending final approval of the competition authorities, Nutreco sold its 75% interest in the Marine Harvest joint venture, the world's biggest salmon farming company, to Gevevan Trading Co. Ltd. for an amount of EUR 881 million, resulting in a book profit of EUR 380 million. On 29 December 2006 all shares were transferred to Pan Fish ASA.

sustainability milestones 2006

March 2006

Nutreco took part in the Technical Workshop of the Round Table on Responsible Soy, in preparation for the next round-table meeting in August.

May 2006

Nutreco participated in organising the international seminar on sustainability of fishmeal and fish oil in Rotterdam, the Netherlands. Skretting Aquaculture Research Centre joined the EU AquaMax project to improve the sustainability of fish feed while maximising the health benefits of farmed fish for consumers.

June 2006

Nutreco was proactive in putting soya issues on the agenda of the European Compound Feed Manufacturers' Association General Assembly, Ghent, Belgium.

August 2006

Nutreco attended the meeting of the Round Table on Responsible Soy, in Paraguay.

September 2006

Nutreco was a main organiser of the AquaVision business conference in Stavanger, Norway, where sustainability of fish feed and fish farming were key topics.

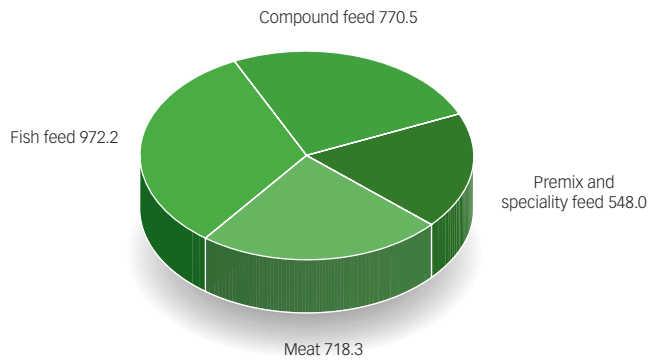
December 2006

Nutreco initiated the integration of CSR key performance indicators into business management.

financial performance 2006

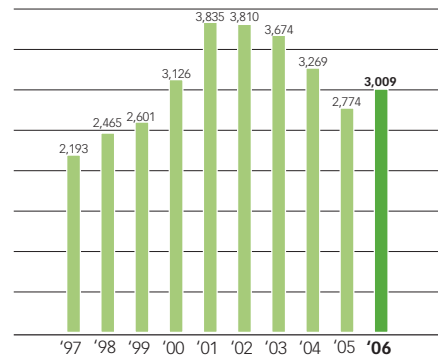
Revenue third parties by segment continuing operations

(EUR x million)



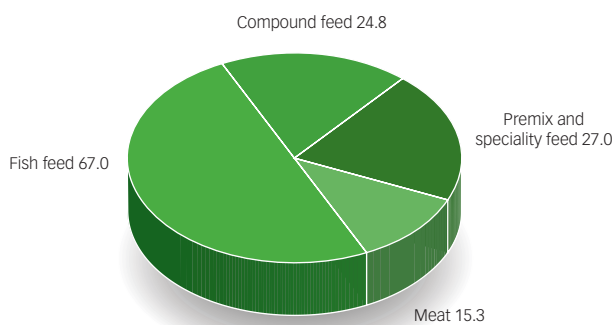
Revenue continuing operations²

(EUR x million)



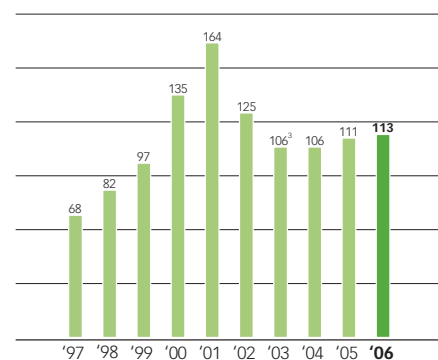
Operating result by segment continuing operations¹

(EUR x million)



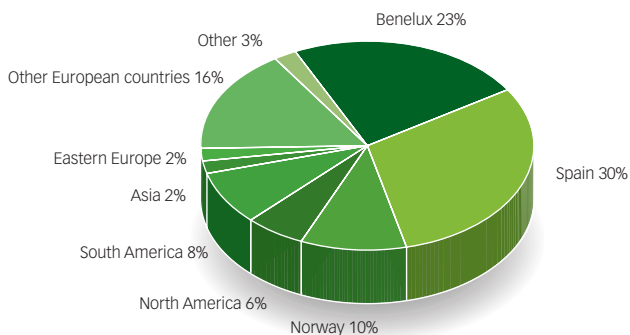
Operating result continuing operations²

(EUR x million)



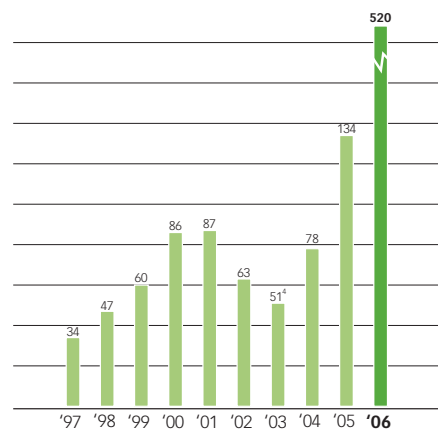
Revenue per region continuing operations

(EUR x million)



Total result for the period attributable to equity holders of Nutreco

(EUR x million)

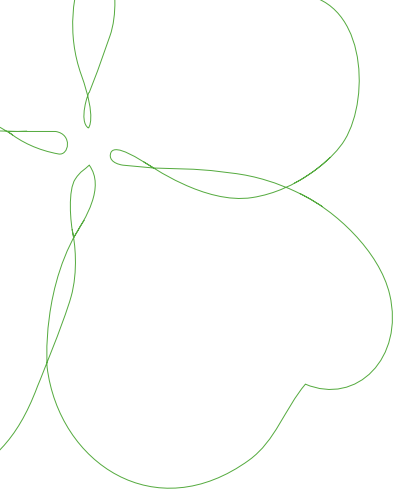


¹ Excluding corporate costs and exceptional items

² 2005 figures restated for comparison reasons of continuing operations

³ Before amortisation of goodwill and impairment of concessions

⁴ Before impairment of goodwill, concessions and associates, including tax effect



nutreco's strategy

sustainable management of natural resources

ambitions

- Nutreco wishes to contribute globally — in cooperation with its partners in the production chains for meats, farmed fish and dairy products and with other stakeholders — to a sustainable use of natural resources and the conservation of the environment and its biodiversity. It is the only way to secure our future as a global company.
- As an industry leader, Nutreco has a duty to help guide the development of the animal nutrition and fish feed sectors towards responsible behaviours and increasing sustainability. The world population continues to grow, from 6.5 billion today to more than 9 billion by 2050. Demand for meat and fish from increasingly affluent populations in emerging markets is creating key business and sustainability challenges for Nutreco.
- Nutreco aims to contribute to the fulfilment of one of the UN Millennium Goals: to integrate the principles of sustainability into policies and programmes that will reverse the loss of environmental resources.

strategic objectives

- To ensure that a substantial part of Nutreco's key raw materials such as fishmeal, fish oil, soya meal, soya oil and canola (rapeseed) oil are sourced from sustainable managed, independently verified sources. This will contribute to the conservation of the environment and protection of biodiversity.
- To ensure that an increasing percentage of low-value by-products of other industries, such as the food industry and the newly emerging biofuel industry, are converted into useful animal nutrition, which in turn will provide high-value animal protein for human consumption.
- To increase awareness within the global animal nutrition and fish feed industry of sustainability issues and to share best practices with the help of Nutreco-sponsored multi-stakeholder conferences AquaVision and Agri Vision.

actions 2006

- Nutreco participated in the Round Table on Responsible Soy (RTRS) to develop criteria that will ensure responsible production, processing, trading and distribution of soya. Participation began more than three years ago.
- Nutreco signed the RTRS covenant that stipulates no soya will be purchased from newly cultivated (deforested) land or from suppliers that might be connected to forced labour.
- As a leading European animal nutrition player, Nutreco succeeded in putting soya issues and the RTRS high on the agenda of the European Compound Feed Manufacturers Association (FEFAC).
- Nutreco, in cooperation with its partners the Netherlands Ministry of Foreign Affairs and IUCN-NL, organised a second international fishmeal and fish oil conference in Rotterdam that focused on sustainable practices of industrial fisheries and the processing of fishmeal and fish oil.
- Nutreco's fish feed business Skretting engaged in cooperation programmes with fisheries that voluntarily seek independent verification and sustainability certification. Skretting UK has engaged in a partnership with the Marine Stewardship Council. Skretting invests significant effort in the substitution of fishmeal and fish oil by vegetable raw materials to extend the sustainable use of these key raw materials.

ambitions 2007

- Follow up actions from (1) the 'Rotterdam' sustainability conference of 2006 at a global level in cooperation with the International Fishmeal and Fish Oil Organisation (IFFO), (2) the RTRS and (3) the Salmon Aquaculture Dialogue for sustainable salmon farming.
- New actions to ensure sustainable practices in industrial fisheries and fish feed processing.
- Further reduction in the levels of fishmeal and fish oil in the production of fish feed. As the processes of substitution and optimising fish feed conversions continue, we potentially can reach a time when aquaculture using fish feed is a net producer of fish protein.
- In 2007 the key performance indicators will be embedded in the internal reporting processes and business group management systems of Nutreco.

and ambitions

feed-to-food quality

- To enhance the nutritional quality of final food products through the quality of the feed, while remaining competitive in the market.
- All consumers should be able to rely on safe food. Safe food requires safe feed, which also contributes to good animal welfare and health.

ambitions

- Nutreco bases the safety of its products on responsible purchasing of raw materials coupled with monitoring and management of undesirable substances, microbial contamination and anti-nutritional factors. In this way Nutreco is able to keep the full confidence of its key stakeholders: farmers and other customers, government bodies, the food industry, the financial community, etc.
- Gaining credibility in this area is important for Nutreco's reputation and can only be achieved by consistently operating to high food safety standards coupled with being open and transparent.

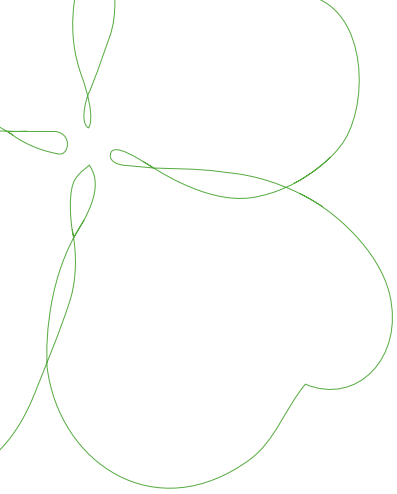
strategic objectives

- Organisation of the Fundisa food safety conference in Spain.
- Skretting's continuing reduction programme for dioxins and other persistent organic pollutants (POPs) in feed.
- Hendrix and partners Jumbo Supermarkets, Dierenbescherming and pig producer Cobben launched a new pig meat concept that includes high food safety and animal welfare standards.
- Nutreco continued the evolution of its range of options, such as Greenline® products, that are alternatives to in-feed antimicrobial growth promoters, now banned in the EU.

actions 2006

- Further global rollout of NuTrace®, Nutreco's four-pillar feed-to-food safety system.
- New product launches that will help meet the highest standards of food safety.
- Further progress in the cleaning of fish oils.
- In 2007 the key performance indicators will be embedded in the internal reporting processes and business group management systems.

ambitions 2007



nutreco's strategy

climate change

ambitions

- In its raw material markets, Nutreco is directly exposed to the effects of climate change and the emerging biofuels industry. Nutreco is aware that agriculture and livestock contribute about 18% to the global production of greenhouse gases. Nutreco wants to help reduce greenhouse gases that add to the problem of climate change.
- More than aiming solely for the reduction of CO₂ emissions, Nutreco is investing effort in R&D programmes that will help to convert by-products of the biofuel industry into nutritious animal feeds. In this way, Nutreco will help to solve global problems related to the scarcity of raw materials for feed, food and fuel on the one hand and climate change and loss of biodiversity on the other.

strategic objectives

- To secure Nutreco's access to new sustainable sources of raw materials and by-products in fast-changing world commodity markets.
- To develop the knowledge for successful conversion of by-products from biodiesel and bioethanol production into nutritious protein for animal feeds by allocating increased resources to R&D.
- To develop efficient ruminant diets formulated to deliver the desired performance with lower feed intake and therefore reduced methane emissions.
- Higher efficiency in transport, logistics and energy management will further reduce costs, energy use and greenhouse gas emissions. Nutreco encourages the development of energy efficiency programmes at operating companies.

actions 2006

- More environmentally friendly car leasing policy for Nutreco in the Netherlands.
- Poultry processor Sada, in Spain, began to convert plants to power generation based on gas, where possible. Conversion leads to a 30% reduction in CO₂ emissions.
- Hendrix began implementing an energy savings project in its businesses in the Netherlands and in Belgium.
- Several R&D programmes aim at the successful conversion of by-products of the biofuel industry into animal feeds.

ambitions 2007

- Continuation of all relevant programmes mentioned under 'actions 2006'.
- In 2007 the key performance indicators will be embedded in the internal reporting processes and business group management systems.

and ambitions

nutreco people & investing in the community

- As the company grows, Nutreco will maintain its employment policies, including the two CSR-oriented policies below.
- Nutreco's growth and business success is directly related to the commitment of all employees. Nutreco focuses attention on providing a safe working environment where employees are motivated and able to further develop their talents.

- Nutreco aims to have a positive influence in the communities in which its 75 production plants, in 20 countries, are active, helping to bridge gaps in social structures or supporting local welfare, cultural and environmental activities.

ambitions

- The development of management skills and a competitive remuneration policy.
- The development and introduction of a sound career development and mobility policy for all employees.
- The implementation of a worldwide performance management system.

- Maintain an active policy of accident prevention.
- To build platforms for dialogue, interaction and cooperation with local communities that will help to ensure local support for Nutreco's operating companies by local communities and stakeholders ("licence to operate").

strategic objectives

- The implementation of worldwide HR standards and performance management systems.
- Further improvements to safety at work.
- Skretting Scholars programme in Asia-Pacific aimed at training staff of independent commercial marine

- hatcheries and thereby contribute to the development of aquaculture and local economies.
- Rural Support and Care programme of Hendrix in the Netherlands.

actions 2006

- Follow up on worldwide HR standards, performance management systems, safety at work, etc.
- In 2007 the key performance indicators will be embedded in the internal reporting processes and business group management systems.

ambitions 2007



HENDRIX
UTD

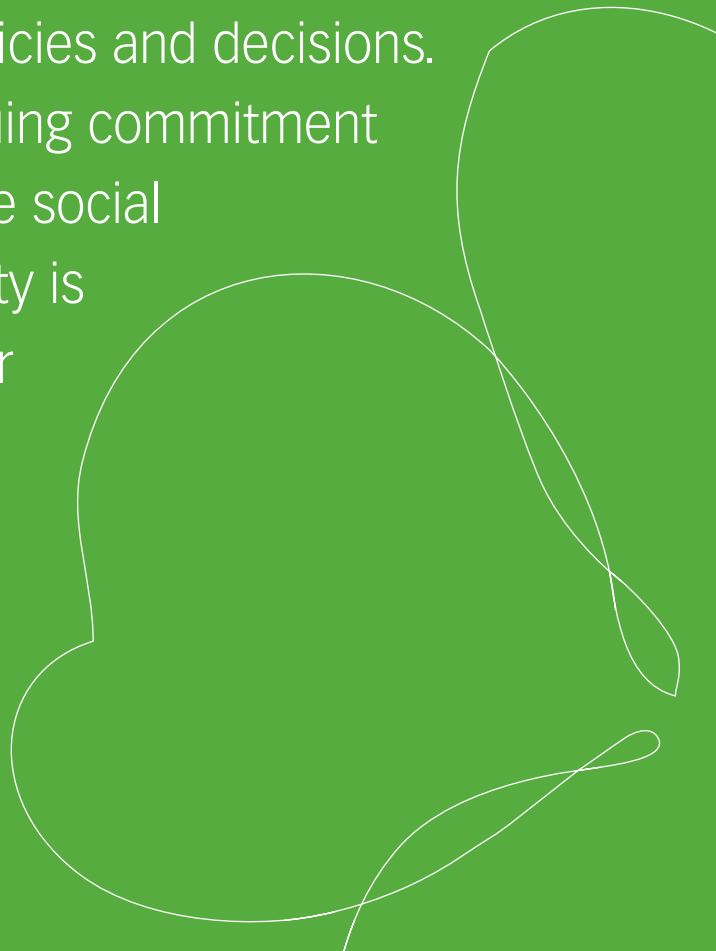
chapter two | nutreco and csr





introduction by wout dekker

Corporate social responsibility is a top priority for Nutreco. We know that only companies that are well connected with society and consumer's changing opinions and concerns can succeed. Growth will bring more people into Nutreco and extend our geographical coverage, increasing the significance of our actions, policies and decisions. Our continuing commitment to corporate social responsibility is essential for success.



At the time of preparing this year's Corporate Social Responsibility (CSR) Report, Nutreco is at the mid-point of its historic Rebalancing for Growth strategy. The company is rebalanced and has the financial strength to drive the growth that will make it a leading world player in animal nutrition and fish feed.

The world population continues to grow, predicted to climb from 6.5 billion today to more than 9 billion by 2050. Demand for meat and fish from the increasingly affluent populations in the emerging markets is creating important opportunities and challenges for Nutreco — if everyone were to consume animal protein at the level approaching that of the West today, and taking into account the demand for biofuels and the need to protect biodiversity, we would need three planets to feed them. We believe, our expertise in raw materials, product applications, quality, safety and animal health equip us to provide clients quickly with the means to meet many new challenges. This is knowledge we can take into emerging economies as we expand.

Today's constantly changing agri-business environment is putting an extra burden on global animal feed markets. High energy prices, climate change and growth in biofuels are adding demand in the markets for traditional agricultural commodities such as grains, corn (maize) and soya. The combination of Nutreco's significant commitment to applied R&D with the long experience of our animal feed businesses — Trouw Nutrition, Hendrix and Nanta — means we are able to take the new raw materials coming, for example, from biofuel by-products and use them as raw materials in nutritious animal feeds. Success will reduce the impact of competition for the primary raw material and contribute to the sustainability of biofuels.

The same combination of R&D and experience enables our Skretting fish feed businesses to address successfully the challenge from increasing competition for a limited supply of fishmeal and fish oils. Vegetable alternatives supplement these ingredients in fish feeds that show no compromise in quality and performance.

Converting agricultural products and the by-products of other industries into feeds to provide high-grade meat, fish and dairy produce for human consumption is Nutreco's core competence. Together with our knowledge of the activities of customers, the functioning and technology of food value chains, the trends in our markets, economies of scale and cost efficiency, it provides Nutreco with the keys to successful growth.

Responsible behaviours

As an industry leader, Nutreco feels obliged to guide the development of the animal nutrition and fish feed sectors towards responsible behaviours and increasing sustainability, characteristics that are essential for the long-term future.

A key example describes the part Nutreco is playing to improve the sustainability of fishmeal, again with other stakeholders in the supply chain. In Nutreco, we only purchase from managed and sustainable fisheries. For some markets, though, independent verification is becoming a requirement. We are working with fisheries that voluntarily seek independent verification as well as those that choose options such as government management. In every case, the fishery should use the best available scientific knowledge and management plans to ensure long-term sustainability. We recognise that for some fisheries, aligning total catch allowances with recommendations from bodies such as the International Council for the Exploration of the Sea is a complex and time-consuming process.

Nutreco holds social responsibility to be a core value, especially with respect for the environment. We have represented it in our name. The eco of Nutreco stands for both economy and ecology.

Social and environmental awareness are vital characteristics for any company wishing to succeed in the long term and certainly for a growing company such as Nutreco, with the intention of leading its chosen sector into more sustainable ways. The intention was demonstrated when Nutreco pioneered Social & Environmental reporting in 2001. The report earned a special award as the best first report from the Dutch associations of Environmental Accountants and Chartered Accountants (ACC Award).

Since then, we have received further awards that reflect the appreciation of wider society for our openness, transparency and willingness to partake in dialogue with external stakeholders. The awards and rankings applying to Nutreco in 2006 are shown below.

External recognition 2006

- **Sijthoff Award** for best financial reporting in mid and small cap
- **Ministry of Economic Affairs CSR Transparency Benchmark:** Nutreco in fourth place out of 153 reporting companies
- **Van Lanschot:** Nutreco has best CSR policy in mid cap
- **VEB:** Nutreco number three in following Tabaksblat Code

KPIs

In reviewing the contents of this report, I am pleased to say that there were no significant negatives to record in 2006. I also should point out that the printed report contains less detailed data than in previous years. This information will be publicly available, in increasing quantity through 2007, on the Nutreco website, www.nutreco.com.

We begin the report with a description of Nutreco in 2006, its structure, activities with their locations and the markets we serve.

Further in this chapter, we describe our practical approach to CSR. Being a CSR pioneer in the animal nutrition and fish feed sectors, it is difficult to give a meaningful comparison with equivalent companies. In 2006, we began a process to identify some key performance indicators (KPIs) from which we will measure impacts and report progress independently from such comparisons. We describe this important advance, which will integrate CSR in Nutreco both at corporate level and in the businesses. The process identified an array of KPIs that are specifically relevant to our activities. Starting in 2007, we will embed these in Nutreco to provide incentives and a means of monitoring progress.

As 2006 was the year in which we identified the KPIs and the embedding will take place in 2007, we are not in a position to report specific progress in this publication. That will be possible in future years.

The KPIs relate to our four CSR focus areas: sustainable management of natural resources; feed-to-food quality, climate change, Nutreco people & investment in the community. They were identified in 2005 to align our CSR approach with the rebalanced Nutreco.

We have KPIs that apply at corporate level, such as projects relating to the sustainability of key raw materials and the numbers of site inspections and audits. Other KPIs, such as energy use and lost time incidents, relate directly to the operation of Nutreco businesses. The KPIs will facilitate progress at all levels of Nutreco. We have adopted a flexible approach to implementing KPIs. Our businesses differ in the challenges they face and the ways in which they can make the most useful progress. Therefore, each business will select and apply KPIs most appropriate to its activities, status and location.

When KPIs have been selected and approved by senior management, we will measure our progress and relate it to our focus areas on a Nutreco-wide basis. In addition, external auditors will be able to check and verify that the progress we report is valid.

CSR priorities

We describe CSR activities in the four focus areas in chapter three.

Sustainable management of natural resources is an opportunity to look closely at our consumption of raw materials. Nutreco uses hundreds of raw materials. Many are by-products of other industries that otherwise would be of low or no value. Animal nutrition companies such as Nutreco convert them into useful nutrition for animals. In turn, that nutrition provides high-value animal protein for human consumption.

A few raw materials are widely used on a substantial scale. Two of these, soya meal and fishmeal, have related sustainability issues. As mentioned above, in both cases we can report dialogues at corporate level with other stakeholders that have resulted in important progress towards greater sustainability.

Other natural resources we must safeguard include water and the natural environment and we report examples of positive actions by individual businesses.

Sustainability of raw materials and the protection of natural resources were key topics at AquaVision 2006, held in Stavanger, Norway, in September. Nutreco again had a central role as a main organiser of this business conference, the sixth in the series. Skretting is the world's leading supplier of fish feed and therefore Nutreco has a strong interest in aquaculture. AquaVision provides a forum for debate in which all stakeholders can participate. In 2007, Nutreco is organising the fourth agricultural equivalent, Agri Vision, 12–14 June in Noordwijk aan Zee in the Netherlands.

Feed-to-food quality highlights the crucial role that feed plays in the quality of the food that we eat. Feed has a direct influence on nutritional value, flavour and storage life of food and it is central in food safety. We report on how the further development of our unique NuTrace® food quality system is tightening and unifying standards throughout Nutreco, and facilitates the implementation of NuTrace® by newly acquired businesses.

The scale of the climate change phenomenon is clearly too great for Nutreco to have a discernible impact on its own. However, we join with others in turning attention to this change in our world and identifying ways in which we can contribute to reducing unwanted effects. At the same time, Nutreco has challenges and opportunities created by the changes in raw materials supplies, for example by the growth of the biofuel industry. Although biofuel producers compete with feed producers for agricultural raw materials, they also create new by-products that can be used as feed raw materials. Learning to use these will benefit everyone by contributing to economic fuel production and reducing waste.

Our employees are vital to our success and we give an overview of the Nutreco team. We take this opportunity to state clearly our beliefs and practices to ensure fairness of treatment for our own employees and the steps we take to encourage fair treatment of the employees of other businesses in our value chains.

Building the new phase of Nutreco will provide a worthwhile future for thousands of Nutreco employees around the world. As we extend our activities into new countries, often with emerging economies, achieving consistently appropriate standards of employment presents a challenge. We describe our response and provide some examples of progress in 2006.

Committed to CSR

Nutreco is poised for significant growth. Already, in February 2007, we signed a memorandum of understanding to acquire important feed speciality businesses in eight countries. More acquisitions will follow.

Growth will bring more people into Nutreco, will extend our geographical coverage and will increase the significance of our actions, policies and decisions.

We hold corporate social responsibility to be a top priority. We believe our record to date demonstrates our commitment and we will take that commitment as a core characteristic of Nutreco into our future.

Wout Dekker
15 March 2007

Nutreco's corporate social responsibility policy will in 2010 lead to further improved performance in four key priorities:

- greater proportion of raw materials sourced from sustainable managed resources
- fewer quality incidents
- fewer transportation miles and CO₂ emission
- more social projects and improved people management



embedding csr in nutreco

The change in the balance of Nutreco activities in 2005 and 2006 prompted a review of CSR priorities. Having defined the four most important CSR priority areas for Nutreco today, in 2006 Nutreco undertook to establish key performance indicators (KPIs) in each area to facilitate improvement and the measurement of improvement.

Changes that prompted the priority review

Nutreco aims for solid profit growth, with minimised earnings volatility and good return on invested capital. To achieve these goals, in 2005–2006 Nutreco rebalanced its portfolio of activities and capital employed to focus on the growth of its worldwide animal nutrition and fish feed business.

Nutreco was mainly focused on animal nutrition and fish feed at the beginning of 2006 but also owned 75% of Marine Harvest, the world's largest aquaculture company. Marine Harvest, with the support of Nutreco, was planning an initial public offering on the Oslo stock exchange. Before that took place, in March 2006 Nutreco sold its entire shareholding in Marine Harvest to Gevevan Trading Ltd, as did Stolt-Nielsen, which owned the other 25%. At this point, Nutreco ceased direct involvement in fish farming and processing.

The process for revising the CSR focus areas is described in the Nutreco CSR Report of 2005 (pages 15–16). It included internal discussions, for example with the Nutreco Advisory Board on Sustainable Development, and dialogues externally, for example in

a debate organised by the VBDO, the Dutch Association of Social and Sustainable Investors. Therefore 2006 was the first time the four focus areas applied for a full year.

CSR priority areas and KPIs

Nutreco's CSR priority areas are:

- Sustainable management of natural resources
- Feed-to-food quality
- Climate change
- Nutreco people & investment in the community

Each area is discussed separately in the following chapter.

In 2006, assisted by external partner KPMG Sustainability, Nutreco undertook the identification of KPIs to improve management of its CSR performance. The process began with a study of relevant standards and the latest guidelines of the Global Reporting Initiative. These were combined with the CSR priority areas of Nutreco.

The selection process

Initially, KPMG Sustainability was briefed by the corporate directors of 'Communication and CSR Management' and of 'Health, Safety, Environment and Quality' (HSEQ) on the activities of Nutreco, the CSR priority areas and the main issues within those areas.

Example CSR KPIs

Sustainability of natural resources	Proportion of raw materials that are co-products or by-products (defined in chapter three, page 33) Number of projects in which Purchasing and/or R&D are involved in finding new by-product raw materials
Feed-to-food quality	Number of food safety incidents (e.g. per type of incident, product, type of operation) Follow-up to incidents (% solved, under investigation, etc.)
Climate change	Electricity use and fuels in absolute terms (kWh, GJ, etc.) Origin of raw materials (limited transport distance)
Nutreco people and investing in the community	LTI/million hours Number of cases causing complaints from neighbours

Following approval, in 2007 the KPIs will be embedded in the internal reporting processes as described below.

From this, KPMG Sustainability prepared an extended list of potential KPIs, based on an analysis of publicly available information, which was refined by consultation with these main Nutreco contacts. The refined list was circulated for comment to Nutreco specialists in human resources, feed-to-food safety, raw materials purchasing and HSEQ.

Feedback from the experts enabled the KPI team to prepare a shorter list of KPIs for each priority area. They were then ranked by Nutreco according to their materiality. The resulting shortlist was presented to the Executive Board for approval.

Embedding CSR KPIs

The four focus areas are broad in definition and at a strategic level. They can be directly addressed by larger-scale corporate initiatives. Examples include HSEQ auditing, Business Integrity, the purchase of key raw materials and participation in projects relating to the sustainability of key raw materials, such as fishmeal and soya meal. These can be considered as corporate CSR KPIs but that represents only a partial commitment to achieving CSR benefits. Greater change can be achieved if CSR KPIs are also embedded and addressed in the businesses.

- For embedding to succeed, business managers must recognise the relevance of the focus areas to their business.
- Nutreco businesses can then select those topics in each area most relevant to their activities and put in place benchmarks and targets and then monitor progress towards those targets.
- The topics most relevant will vary between businesses, according to their particular activity, length of time within the Nutreco organisation and the society and location in which they operate.
- Progress towards objectives in any topic will contribute to improving the Nutreco performance in the related area. Measurement of progress under the topic headings will indicate progress in the focus areas.

To embed CSR into business management requires CSR awareness and objectives to be integrated in business processes such as business planning, with target setting, budgeting, reporting, performance measurement and review. A CSR Champion will meet with each business manager, present the CSR KPI concept, then advise the business managers as they nominate a selection of KPIs appropriate to their business.

Each Nutreco business will adopt those CSR KPIs most relevant to its activities and where local management believes it can make

measurable improvements. Progress with CSR KPIs often will be supported by the knowledge generated through the activities at Nutreco research centres, which also can identify new opportunities for progress. The selections will be subject to challenge and approval, eventually by the Executive Board, to ensure they are meaningful and align with Nutreco's strategic plans. In most instances, improvements in the CSR KPIs chosen will bring a beneficial effect on business performance. Thus the objectives of CSR and of business will coincide. As for all KPIs, progress with the chosen CSR KPIs will be monitored, recorded and incorporated in the business review process.

The CSR KPI shortlist provides a picking list and guidance for the businesses. The option is open for a business to identify an issue and KPI that is not on the current shortlist, provided that it is relevant to one of the CSR focus areas and that monitoring and improvement are feasible.

The value of the approach is illustrated by some comparisons. Activities at a Trouw Nutrition International plant in China involve extensive use of manual labour and a large number of employees. An animal feed plant of Hendrix in the Netherlands is highly automated, with relatively few employees. The company in China will find KPIs relating to health & safety at work more relevant than consumption of power and the opposite would apply at the company in the Netherlands.

Skretting companies may select the extent to which they supplement fish oil with vegetable oils as a KPI, while Grupo Sada, which employs large numbers of people in chicken processing, might select KPIs that focus on the frequency of lost time incidents and the consumption of water. These topics are discussed more fully in the following chapter.

CSR ambitions will be incorporated into the strategic planning cycle (into business development plans) and the annual planning cycle (yearly planning including the regular management reviews). This will place it alongside 'marketing and sales', 'R&D and innovation', 'risk management & internal control' and other such topics.

The CSR aspect will be introduced to the businesses in 2007. Programmes will be up and running as from 1 January 2008. In the meantime, the current level of CSR attention and projects will continue.

Verification

Establishing CSR KPIs, benchmarks and targets for Nutreco businesses provides an opportunity for external verification. Verification can relate to the relevance of the KPIs, validity of benchmarks and targets and the monitoring of progress towards them.

research & development

Research & development relating to agricultural activities is conducted at five centres and directed at corporate level, while that relating to fish feed is conducted at one centre and directed within the relevant business group. Animal welfare and environmental impact are constant considerations in the research programmes.

The research centres are located in the Netherlands, Spain and Norway. Their work addresses the nutrition and husbandry of animals and fish, feed production technology and food products. The research teams maintain contacts with centres of research

excellence around the world. Between them, these centres employ 115 people. Nutreco laboratories in the Netherlands, Spain and Norway support the research activities. More details on the activities of these research centres are given in the Annual Report, pages 44–48 and on the Nutreco website (www.nutreco.com > Research & Development).

A selection of the many current and recent research projects with direct relevance to the CSR objectives of Nutreco are provided in the following chart.

CSR priority	Research centre and business	Project	CSR benefit
Sustainability of natural resources	PRRC	Feeds for floor-housed laying hens	Feeds with lower protein levels reduce environmental impact, e.g. ammonia release, while maintaining productivity and quality.
	RRC and Hendrix	Improve mineral content of feeds	MinLink® optimises mineral contents and OptiMin® enables protection of minerals until needed. Reduces minerals in feed and in faeces.
	RRC and Nanta	Optimise feeding regime for dairy cattle in Spain	Kempen feeding system combines hay and compound feed. Benefits include reduced demand on raw materials, increased production, excellent quality and better quality of life for the farmer.
	Skretting ARC	<i>Sustain</i> feed for Japan with lower fishmeal content*	<i>Sustain</i> feeds have significantly lower fishmeal content but deliver excellent performance and quality. Reduces demand for fishmeal.
	Skretting ARC	EU multi-party AquaMax project*	Develop fish feeds with lower fishmeal content while maintaining health benefits of fish for consumer. Reduces demand for fishmeal.

Research & development in Nutreco makes continuing contributions to improving the sustainability of the company and its customers



CSR priority	Research centre and business	Project	CSR benefit
Feed-to-food quality	RRC and TNI	Add omega-3 fatty acids to milk	Technomega® feed ingredient takes purified salmon oil into dairy milk, without taste or odour.
	RRC and TNI	Improve health properties of milk	Develop dairy feeds e.g. to reduce levels of saturated fats in milk.
	PRRC, RRC, SRC and TNI	Replace antimicrobial growth promoters*	Greenline® combinations of natural ingredients effectively replace antimicrobial growth promoters in animal feeds.
	PRRC, Nanta and TNI	Biofuel by-products in feed	Effective ways of upgrading biofuel by-products, e.g. glycerol, into nutritious protein.
	PRRC and Sada	Reduce incidence of salmonella	Identify appropriate feed additives to enhance control of salmonella in eggs and chicken meat.
	FRC and Sada	Packaging development	Further extend shelf life of products in modified atmosphere packaging.
	RRC and Nanta	Replace monensin, used to optimise rumen environment	Combination of rumen enhancers, feed technology and buffers replaces monensin, which is phased out because of antimicrobial properties.
	SRC and Nanta	Nutrition for Iberian pigs	Investigate feed effect on quality of loin and ham, and improve feed efficiency.
	RFP and Nanta	Spray application of medicines	Adding medicines to feed pellets at the end of the production line reduces the risk of cross-contamination to non-medicated feeds.
Climate change	Skretting, RFP and Hendrix	In-line moisture meters	Installing moisture meters on the production lines saves energy when making fish feeds and extends the choice of raw materials for animal feeds with more lower-cost by-products.
	SRC and Hendrix	COM4 pig housing*	Geothermal heat exchange system provides more even temperatures and lower ammonia levels in pig housing, and improves pig health and welfare.
	FRC and Sada	Packaging development	Identify new packaging materials with improved environmental profile.

ARC: Aquaculture Research Centre

PRRC: Poultry and Rabbit Research Centre

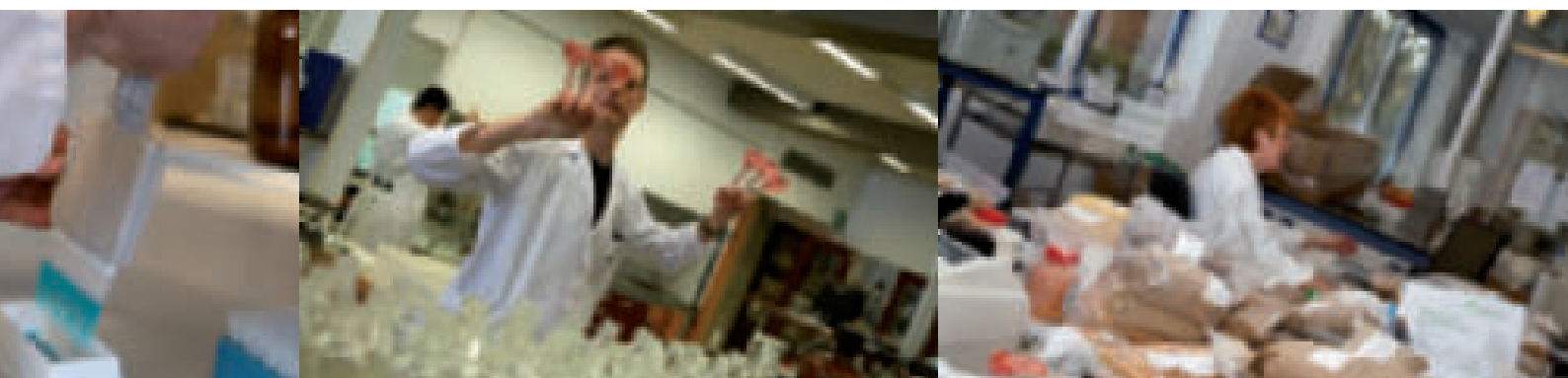
RFP: Research Feed Plant

RRC: Ruminant Research Centre

SRC: Swine Research Centre

TNI: Trouw Nutrition International

* Further details can be found in the next chapter



management aspects: corporate governance

Corporate governance is the responsibility of the Nutreco Executive Board assisted by a team of corporate directors. The Executive Board reports to the Supervisory Board. The principles of corporate governance as applied in Nutreco are described on the Nutreco website (www.nutreco.com > Corporate Governance).

Supervisory Board

The Supervisory Board of Nutreco represents the interests of the shareholders and society by supervising the activities of the Executive Board. Certain decisions require the approval of the Supervisory Board. The Supervisory Board members are: Rob Zwartendijk (Dutch, chairman), Yves Barbieux (French), Jan Maarten de Jong (Dutch), Louis Ligthart (Dutch) and Jaap Vink (Dutch). Each is appointed for a period of four years, renewable two times only. Joint meetings of the Supervisory Board and the Executive Board are held at least six times a year. Details of the Supervisory Board members and the Supervisory Board rules are available on the Nutreco website (www.nutreco.com > Corporate Governance > Supervisory Board).

Executive Board

The Executive Board is responsible for the day-to-day operations of Nutreco and for establishing and implementing the long-term strategy. The Executive Board ensures Nutreco operates in a responsible manner, in compliance with national and international regulations concerning animal nutrition and fish feed businesses and other activities in which Nutreco is occupied, and those applying to the operation of an international business based in the Netherlands. The Executive Board agenda includes monitoring the Code of Ethical Conduct and HSEQ audits of Nutreco sites.

The Executive Board comprises: Wout Dekker, Chief Executive Officer, Juergen Steinemann, Chief Operating Officer, and Cees van Rijn, Chief Financial Officer.

Details of corporate governance in Nutreco are explained in the Nutreco Annual Report 2006, pages 50–65, in compliance with the Tabaksblat Code (requirements for corporate governance for companies based in the Netherlands, also known as the CG Code).

management aspects: risk profile

Entrepreneurship involves risks. Achievement of Nutreco's business objectives depends, among other things, on external economic factors, the unpredictability of market trends, extreme weather conditions, other calamities and human factors. Given below is an overview of the key elements of Nutreco's internal risk management and control systems, which are aimed at the adequate and effective control of such risks.

Operational risks

Market risks

Further implementation of the Rebalancing for Growth strategy after completion of the Marine Harvest disposal has made Nutreco less sensitive to salmon and meat price fluctuations. In 2006 the sale of salmon and meat products still accounted for about 20% (2005: 30%) of Nutreco's overall revenues. The Spanish poultry businesses are seeking to further reduce their price sensitivity by means of specific contract conditions and product diversification.

Price fluctuations on the world market for raw materials such as grain, maize, soya, fishmeal and fish oil are the principal factors underlying volatility in the cost price of feed. Under normal market conditions, Nutreco is able to pass on price changes of raw materials, including currency exchange effects, to its buyers within a reasonably short time lag. In 2006 the prices of raw materials were volatile. The Dutch compound feed market continued to be characterised by price competition. As a result, not all increases in the prices of raw materials could effectively be passed on to the market right away, which put margins in the Benelux countries under temporary pressure.

In the traditional raw materials used in cattle feed, such as soya, maize and grain, there is growing demand for raw materials that are produced in a sustainable way. Together with interested parties and several NGOs (non-governmental organisations), Nutreco is encouraging the production of these raw materials. Partly at the request of Dutch dairy company Campina, Nutreco, together with its TrusQ partners and Cefetra, has set up a supply chain for sustainably grown soya certified in accordance with the so-called Basel criteria. The availability of fish oil and fishmeal is becoming

increasingly problematic. In response to the increasing competition for these raw materials, Nutreco is carrying out active research into the use of alternatives, also of vegetable origin.

Any further concentration in the salmon farming industry will result in a new market structure. In the course of 2006, initial talks were held with major customers such as Marine Harvest, Fjord Seafood and Pan Fish about the continuation of the commercial ties with Nutreco's salmon feed businesses. The mutual dependence necessitates a redefinition of responsibilities and offers both parties scope for new areas of development. Besides consolidation, the limited availability, now and in the future, of the principal raw materials for fish feed — fishmeal and fish oil — also has an increasingly important effect on market dynamics, which has put a growing premium on substitution expertise. In emerging industrialised agriculture and aquaculture markets (such as Brazil, Russia, India, China and Mexico) there is growing demand for know-how and expertise. As a result, the use of premixes and concentrates in these markets is on the increase. With its recent acquisitions, Nutreco has capitalised on this trend. However, the stages of development of these markets give rise to different risks, such as credit risks.

Technical risks: raw materials and food safety

Many of Nutreco's technical risks relate to the purchase and processing of safe raw materials. In this regard, the NuTrace® system has proven its efficacy. The initiatives within the framework of TrusQ, the partnership with companies active on the Dutch compound feed market to promote food safety in the product chain of eggs, meat and dairy products, have resulted in a better preselection of suppliers and products. The raw materials purchased from these suppliers have a below-average risk profile.

During the year under review, a number of raw materials suppliers were called to account in connection with their product quality and product composition. No conditions occurred that required the Company to issue warnings or recall products. In light of these efforts, Nutreco considers the risks attaching to the production as limited.

Product and product development risks

Legislation and regulation in the various markets in respect of the products in Nutreco's portfolio are constantly subject to change. Product innovation, through the use of new technologies and insights on the one hand and Nutreco's ambition regarding the use of alternative and more sustainable raw materials on the other, has an impact on the complexity of the production processes and on compliance with legislation and regulation, thus raising the risk profile of Nutreco's activities. These risks have so far proven controllable, partly owing to the monitoring of the quality of product development processes by Nutreco's research centres, as well as to the continual testing of innovations against legislation and regulation.

Risks relating to compliance

Governance and compliance requirements have become increasingly stringent and comprehensive. Today, rather than merely being a matter of 'form', compliance has become more and more a matter of 'substance'. The latter requires a further sensitisation drive on the part of the organisation, in both a procedural and a cultural sense. Due to the increased takeover activity, the company's risk profile compared to last year's has increased.

Nutreco did not experience any serious case of non-compliance, and the systems and procedures worked satisfactorily. Keeping up this level of performance will demand the management's continual attention at every level.

Reputation risk

Global social trends and developments are increasingly impacting organisations and their business management. By keeping a close watch on trends and developments, by accruing know-how and discussing dilemmas and through transparent reporting, Nutreco is ready to respond adequately to the changing requirements of society and to adjust its business management accordingly. Nutreco has an Advisory Board for Sustainable Development, which provides support in the form of independent advice.

Risk management and internal control

The risk management and control systems present within Nutreco are designed to protect the Company's envisaged target realisation. Nutreco complies with the governance requirements in respect of these responsibilities and seeks to satisfy the best practice

provisions of the Tabaksblat Code. With the measures it has taken, Nutreco is not obliged to meet specific requirements as stated in section 404 of the Sarbanes-Oxley Act. Where the reduction of wanted or unwanted risk exposure is not possible, the systems aim to limit the impact such risks could have on the Company and its stakeholders. However, the presence and efficacy of the implemented systems do not guarantee that the Company's objectives are achieved. Nor do the implemented systems warrant that human error, unforeseen circumstances, materially incorrect statements, loss, fraud and violation of laws and regulations can be fully prevented.

During the year under review, Nutreco implemented a new framework for risk management. Cornerstones of this new framework are the Risk Management Advisory Board, the new Nutreco Risk Management Model for strategic and operational risks and the already existing management and control systems in the areas of financial accounting, HSEQ (Health, Safety, Environment and Quality), feed and food safety, reporting and information security, compliance and corporate governance. Nutreco has laid down its policy measures and instructions in the Nutreco Policy House.

Nutreco Code of Ethical Conduct

The Nutreco Code of Ethical Conduct sets out a number of moral values to which Nutreco subscribes. It is not all-encompassing but instead formulates minimum ethical standards which are to be interpreted within the framework of local laws and customs. All employees with managerial responsibilities in respect of operating companies, as well as intermediate managerial levels and corporate staff, are expected to confirm in writing that they will comply with this Code. The Company Secretary is in charge of supervising compliance with the Code of Ethical Conduct.

Whistleblowing procedure

Since 2004 Nutreco has implemented a whistleblowing procedure as part of its Code of Ethical Conduct. The procedure serves to ensure that any alleged infringement of the existing policy and procedures may be reported without the person making the report suffering any negative consequences of his action.

Letter of Representation (LOR)

All managing directors and controllers of the group companies shall annually sign a detailed statement with respect to the financial reporting, internal controls and ethical principles.

With effect from the 2006 Annual Report and Accounts the LOR will also include activities in the field of information security,

internal control, risk management and HSEQ. Any observations made in this statement shall be reported to and discussed with the Executive Board and the Audit Committee.

Detailed information on Nutreco's risk profile can be found in the 2006 Annual Report on pages 66–73 and on the Nutreco website, www.nutreco.com.

Nutreco membership of organisations		
Name	Description	Role/activity
FEFAC	European Feed Manufacturers' Federation	Nutreco is member of or chairs several committees
RTRS	Round Table on Responsible Soy	Member
PPP Sustainable Fishmeal and Fish Oil Production	Public Private Partnership with IUCN-NL, IFFO and the Dutch Ministry of Foreign Affairs	Member
Salmon Aquaculture Dialogue	Cooperation with WWF	Member
FNLI	Dutch food industry association	Member of the working groups on Communication and International Affairs
NEVEDI	Dutch feed industry association	Board member and member of several committees
EATP	European Aquaculture Technology Platform	The CEO of Nutreco is chairman of EATP
DuVo	Dutch organisation on sustainable food	Member
MVO-Nederland	Dutch corporate social responsibility organisation	Member



chapter three |
nutreco's four priorities in CSR





sustainable management of natural resources

Progress 2006

- ✿ Nutreco signed a Round Table on Responsible Soy covenant. The covenant stipulates no soya will be purchased from newly cultivated (deforested) land.
- ✿ Nutreco took part in organising a second international fishmeal and fish oil conference focused on sustainable practices of industrial fisheries.
- ✿ Fish feed business Skretting established a global sustainability working group.
- ✿ Skretting Aquaculture Research Centre joined the European Union AquaMax project. One focus is on sustainable aqua feeds.

Opportunities 2007

- ✿ Further progress with activities of Round Table on Responsible Soy and support initiatives of International Fishmeal and Fish Oil Organisation towards greater sustainability of supplies.
- ✿ Identify additional opportunities in fish feeds to supplement marine raw materials with sustainable raw materials of vegetable origin.
- ✿ Take the lead in promoting cooperation between commercial and public organisations to facilitate progress towards sustainable management of natural resources.



Compound animal feeds and fish feeds provide a complete diet through a combination of energy and protein, with essential nutrients such as vitamins and minerals. They can be used alone or in combination with, for example, farm-produced forage such as hay or silage.

As an animal nutrition and fish feed company, Nutreco's main resources are the raw materials for these feeds. Traditionally most of the key raw materials such as soya meal and fishmeal were bought through brokers from the commodities markets and without a direct connection to the producers.

For Nutreco, this situation changed in the past decade with growing awareness of sustainability issues relating to raw materials. Nutreco has initiatives at corporate level, in partnership with other supply chain participants, to address the environmental and social issues of production and supply, both now and for the future. Prioritising this area may enable Nutreco to identify further issues and contribute to resolving them.

At the same time, Nutreco R&D is identifying and assessing alternative raw materials, especially those that are co-products or by-products, as defined on page 33.

The feed industry's role in the raw materials market

The feed industry is an outlet for raw materials in the following broad groups:

- Raw materials that are normally used in food production and are surplus to requirements for food
- Raw materials that are lower grade and not wanted for food production
- By-products of the food and drinks processing industries, and more recently from biofuel production
- Raw materials, such as fishmeal and fish oil, that are used mainly by feed producers

Because the formulations of raw materials used in animal feeds are flexible — a variety of raw material options may be used to achieve a specific nutritional specification — the industry acts as a stabiliser for raw material prices.

Where a raw material is in surplus, feed companies will buy and thus raise demand. Prices are less likely to fall to the point where dumping or destruction is an economic option. When there is a

shortage, feed companies will turn to alternative raw materials, reducing demand for the material that is in short supply and easing pressure on prices.

Animal feed provides an effective way of upgrading these raw materials by agricultural activities into high-quality food for human consumption.

Corporate initiatives

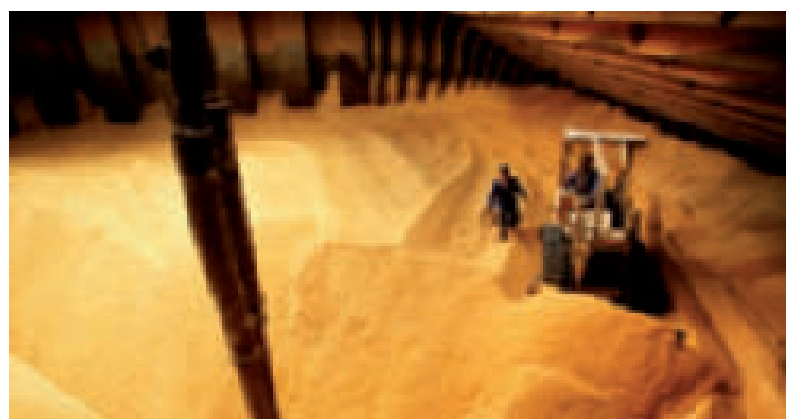
In 2006, Nutreco at corporate level participated in international conferences aimed at improving the sustainability of the key raw materials soya, fishmeal and fish oil.

Round Table on Responsible Soy

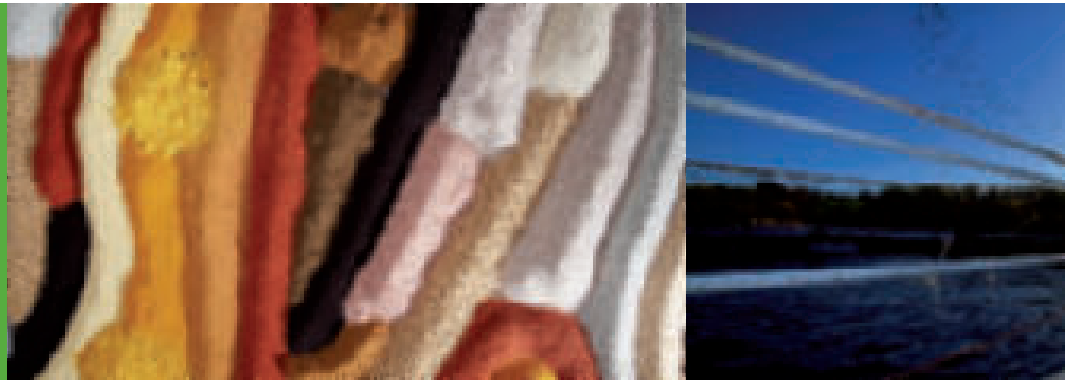
For the past three years, as a member of the Round Table on Responsible Soy (RTRS), Nutreco has been in dialogue and cooperating with industry partners and NGOs to ensure that growing and processing soya in South America will be conducted in a responsible way, without causing deforestation or creating social injustice.

The RTRS was set up by organisations and companies committed to the responsible production, processing and trading of soya. In March 2006, Nutreco participated in the technical workshop that helped prepare for the second round-table meeting at the end of August 2006 in Paraguay, where Nutreco was represented.

At that round-table meeting participants agreed to create an organisation with a formal governance structure that will develop the criteria to benchmark and monitor progress towards responsible production, processing, trading and distribution of soya. This was a major step forward and Nutreco is participating in the development of the benchmarks.



Raw materials for animal nutrition and fish feed are Nutreco's main resources. Their sustainability is essential to the future success of Nutreco



In addition, participants agreed a covenant with respect to soya production in Brazil while the criteria are being developed. All companies purchasing, processing or using soya from Brazil committed not to source soya from newly cultivated land and to ensure that no supplier is connected to forced labour.

In 2006, Nutreco was proactive in putting soya issues on the agenda of the European Compound Feed Manufacturers' Federation (FEFAC). Sustainable sourcing of raw materials was a main topic at the FEFAC General Assembly in Ghent, Belgium, in June 2006, and the FEFAC president attended the Paraguay RTRS meeting.

Fishmeal and fish oil

The fishmeal and fish oil conference took place in Rotterdam in May 2006. Skretting is the world's leading supplier of fish feed and therefore an important buyer of fishmeal and fish oil. Nutreco helped to organise the first seminar on this topic in Peru in 2005, together with the Dutch Ministry of Foreign Affairs and IUCN-NL.

The Rotterdam meeting attracted producers, users and many others including representatives from the EU Parliament, FAO, the Marine Stewardship Council, banks and international NGOs. The meeting achieved an important step forward by agreeing to raise the scope from South America to a global level and the International Fishmeal and Fish Oil Organisation (IFFO) took on the leadership role.

Nutreco helped in organising the meeting and Skretting presented its policy of only purchasing from managed and sustainable fisheries and its long-standing record of successfully seeking alternatives to marine raw materials.

For some markets, independent verification of the sustainability of fisheries is becoming a requirement. Skretting is working with fisheries that voluntarily seek independent verification as well as

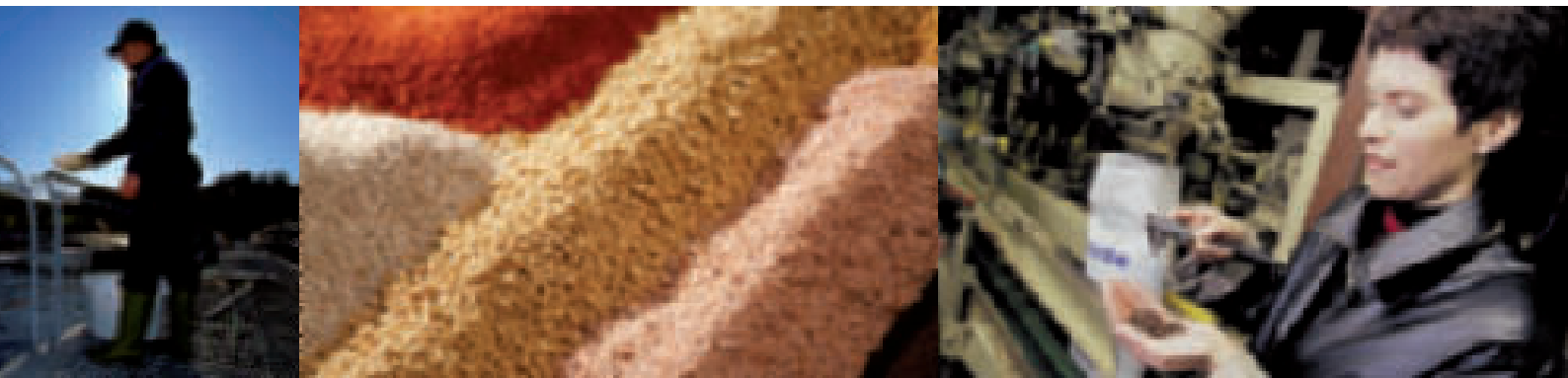
those that choose options such as government management. In every case, the fishery should use the best available scientific knowledge and management plans to ensure long-term sustainability. Fisheries that have a difference between the total allowable catch (TAC) and the recommendations of bodies such as the Instituto del Mar del Perú (IMARPE) and International Council for the Exploration of the Sea (ICES), as with the blue whiting fishery discussed below, could potentially be considered sustainable if there is an appropriate management plan in place. Nutreco recognises that these are complex and time-consuming processes.

Millennium Development Goals

By working to improve the sustainability of its raw materials, Nutreco can, in a modest way, contribute to achieving one of the goals of the Millennium Declaration of the United Nations, namely, "to integrate the principles of sustainability into country policies and programmes; to reverse the loss of environmental resources".

Introducing the session on 'Poverty reduction, environment and the Millennium Development Goals' at an Organization for Economic Cooperation and Development (OECD) conference in Paris in April 2006, Agnes van Ardenne-van der Hoeven, the then Dutch Minister for Development Cooperation, said that partnership enabled the involvement of the private sector in working towards these development goals. Specifically, she referred to the partnership of the Ministry with Nutreco and the Netherlands Committee of the International Union for the Conservation of Nature (IUCN) to enhance sustainability in the fishmeal production chain, describing Nutreco as "the adequate partner to engage with" in this project.

A survey of public-private partnerships of the Netherlands Ministry of Foreign Affairs, conducted by Nyenrode business School and Erasmus University in 2006, identified Nutreco as an appropriate role model.



References to Millennium Development Goals in this report are identified by symbols. The references are gathered into a table and linked with the relevant goal in a table on page 61.

Sourcing on a global scale

In the early months of 2007, Nutreco established global sourcing and procurement, led by a director reporting to the CEO. A purchasing structure steered from a global perspective, but with regional and local execution, will maximise buying power and increase efficiency. Additionally, it can increase Nutreco's influence and ability to promote sustainability in some supply chains.

Improving sustainability of raw materials for fish feed

Aquaculture can be a means of meeting the demand for fish without depleting wild fish stocks further. Because marine raw materials, fishmeal and fish oil, are key raw materials, further significant growth for aquaculture depends on the feed producers' ability to supplement them without compromising the health and welfare of the farmed fish and without lowering the nutritional value of the fish produced. Skretting Aquaculture Research Centre (ARC) has a record of more than 20 years' research and development to identify sustainable alternatives to fishmeal and fish oil. By 2006, the overall levels of fishmeal and fish oil in Skretting fish feeds had been reduced from 2004 levels by 15% or more. Salmon feeds from Skretting Norway, for example, had an average 18% fish oil content in 2006 compared with 24% in 2004. The reduction in these marine ingredients was achieved without compromising the performance of the feeds.

Some current and recent projects are described below.

The European Union AquaMax project was launched in May 2006, with the full title of 'Sustainable aqua feeds to maximise the

health benefits of farmed fish for consumers'. It involves 32 partners in 14 countries and is part of the Sixth Framework programme, which includes India and China.

ARC is active in two AquaMax programmes; 'aquaculture' and 'human intervention studies'. For aquaculture, ARC, with other centres, is investigating the effects of low fishmeal levels (down to 15%) on fish such as salmon, trout, sea bass and sea bream. ARC is producing the feed for all the trials and is conducting the salmon trials at its Lerang trials facility in Norway.

For the human intervention studies, ARC is using its knowledge of safe and healthy raw materials for fish feeds in the production of fish at Lerang. These salmon are processed and sent to the University of Southampton in the UK for nutrition trials with pregnant women to investigate benefits to the developing foetus.

In another EU project, ARC participated in investigating alternative sources for omega-3 fatty acids. The official report of the PUFAFeed project was published in 2006. Led by Wageningen University and Research Centre in the Netherlands, the project included teams from the UK, Canary Islands, Portugal and Norway. The focus was on developing efficient fermentation technologies for micro algae rich in omega-3 fatty acids. The results indicate that production of omega-3 fatty acids by fermentation of algae is possible, but currently the process is not sufficiently economical to compete as a raw material for fish feed.

Blue whiting

Blue whiting is one of the fish stocks in the North Atlantic that is used in the production of fishmeal. For some years, the International Council for the Exploration of the Sea (ICES) classified the fishery as having full reproductive capacity but being harvested unsustainably, meaning that if catch levels were not reduced, a point would be reached when the stock would go below agreed precautionary reference points.

The stock is fished by countries making up the North East Atlantic Fisheries Commission (NEAFC). Many organisations and companies such as Skretting saw the need for a quota to be agreed among the NEAFC countries and lobbied the European Commission and relevant governments on this topic.

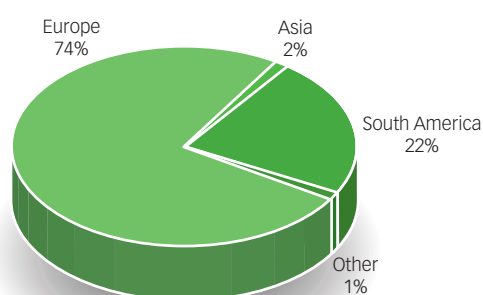
On 16 December 2005 the members of NEAFC agreed a management plan for the blue whiting fishery in accordance with advice from ICES and the total allowable catch was set at 2 million tonnes for 2006. In 2004 the total catch had been 2.4 million tonnes. The parties to this agreement also committed to reduce the allowable catch each year by at least 100,000 tonnes until the biomass taken by fishing is reduced to 32% of the spawning stock biomass (SSB). Already for 2007 the allowable catch has been set at 1.7 million tonnes, a further reduction of 15%. The current estimate of the SSB is 5 million tonnes, which means the 32% target is 1.6 million tonnes. Total allowable catch quotas are shared between the relevant fishing countries.

The commitment of these fishing nations demonstrates that there is a determination to keep the blue whiting fishery at sustainable levels in future.

Sustainability group

Skretting's attention to sustainability was marked in 2006 by establishing a global working group to enhance coordination. In one project, Skretting UK and Ireland is working with local fishing businesses and local producers of fishmeal and fish oil to obtain independent verification of sustainability of some fishery by-products through a partnership with the Marine Stewardship Council. Fisheries and producers in the project work voluntarily and on agreed timescales towards certification. Skretting UK and Ireland, through its fishmeal supplier, aims to use the product in its diets. At present only herring and mackerel are involved but there is scope for other species, such as blue whiting, in the future.

Origins of raw materials



Salmon Aquaculture Dialogue

Nutreco is represented by Skretting on the steering committee of the Salmon Aquaculture Dialogue, which was initiated in February 2004 by WWF USA. The aim of the dialogue is to address the key issues and challenges of sustainable salmon farming. It involves stakeholders from all salmon-producing regions. The dialogue provides a meeting place where views and concerns can be exchanged in a constructive manner. Its final goal is to develop and implement verifiable environmental and social performance levels that measurably reduce or eliminate key impacts of salmon farming and that are acceptable to all stakeholders. Feed is one of the seven key areas of impact that are being addressed by technical working groups. The feed group is examining the sustainability status of fishmeal and fish oil, and the potential for their substitution. Further information is given on www.worldwildlifefund.org/cci/dialogues (select 'salmon').

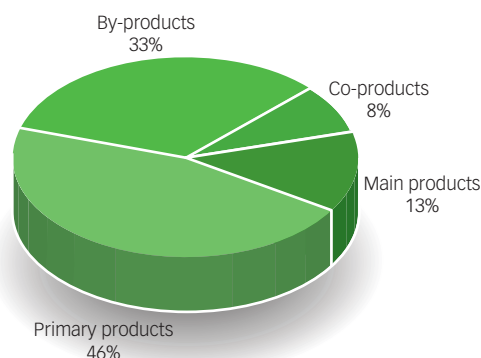
Consumption of raw materials in 2006

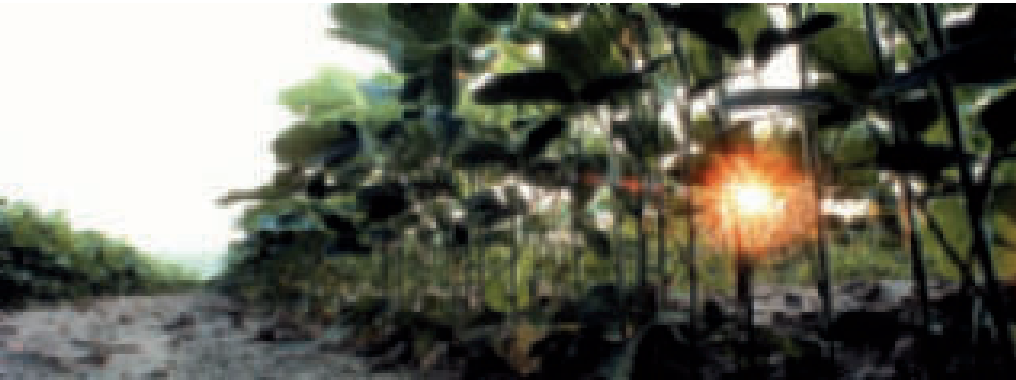
In 2006 Nutreco used in round figures 5.1 million tonnes of raw materials in compound animal feed (this figure includes Hedimix by-product raw materials but not the raw materials used in feed specialities — see page 4) and 1.2 million tonnes of raw materials in fish feeds.

Origins of raw materials

Nutreco sources the majority, 74%, of its raw materials within the European Union and 22% comes from South America, mainly soya products, fishmeal and fish oil. Collating data on the origins of raw materials contributes to the analysis of energy used in transport, described on page 42. Charts below show the origins by raw material category.

Classification of raw materials





Nutreco aims only to purchase from reliable, certifiable sources that it believes to be free of any illegal or unsustainable practices

When purchasing these raw materials, Nutreco aims only to purchase from reliable, certifiable sources that it believes to be free of any illegal or unsustainable practices. Considerable care is taken to ensure the raw materials are safe, as is described in the following chapter.

Classifying raw materials in Nutreco

Each raw material has been classified into one of four categories according to the proportion of the total revenue generated by the crop that its use in animal nutrition or fish feed represents.

1. Primary products are those where 80% or more of the total revenue generated by the crop is through its use in animal nutrition or fish feed.
2. Main products are where the proportion of the total revenue generated by the crop through its use in animal nutrition or fish feed is 50–80%.
3. Co-products are where the proportion of the total revenue generated by the crop through its use in animal nutrition or fish feed is 15–50%.
4. By-products are where the proportion of the total revenue generated by the crop through its use in animal nutrition or fish feed is less than 15%.

Raw materials purchased by Nutreco in 2006 can be allocated to these categories as 46% primary, 13% main, 8% co-products and 33% by-products (residuals). The balance between the categories reflects price and availability. Nutreco does not have a policy to drive the ratios towards categories 3 and 4, but does have a corporate policy to ensure the sustainability of raw materials purchased.

Economic importance

The purchase of raw materials by Nutreco has economic importance in South America.

Nutreco purchased approximately 66,000 tonnes of soya meal a month in 2006 and 65,000 tonnes of this came from South America, mainly Brazil and Argentina.

Nutreco purchased 239,000 tonnes of fishmeal in Peru and Chile, where total production ranges from 2.2 to 2.5 million tonnes a year. Thus Nutreco's purchase represents around 10% of the total.

Skretting fish feed businesses used a total of approximately 390,000 tonnes of fishmeal in 2006, about 7.5% of the globally available total and 180,000 tonnes of fish oil, approaching 20% of the global total. These are the only raw material categories in which Nutreco purchases a significant proportion of the global total.





Skretting supports economic development in southern Chile



Skretting in Chile is providing valuable support for agriculture and aquaculture in the south of the country, which will contribute to economic development.

A company, Oleotop, was set up in March 2005 in Region IX to provide opportunities for southern agriculture by producing vegetable raw materials for aquaculture, initially canola (rapeseed) oil. In its first year of operation Oleotop contracted more than 80 farmers to grow a total of 4,000 hectares of canola. Oleotop committed to sell all the expected oil to Skretting for use as a substitute for fish oil. Skretting also has first option on any overproduction. This agreement means the farmers have a market and have the confidence to grow the crop. Now that the farmers know that the oil will be purchased, the increased confidence means production has almost quadrupled since the project began.

The contract with Oleotop is more than a new income for the region; it also contributes to the sustainable development of Chilean aquaculture, as a resource to supplement fish oil. A further contribution to economic development in southern Chile is described on page 42.

Non-GMO products

Nutreco considers GMO (genetically modified organisms) crops as raw materials. Where customers request non-GMO feeds, Nutreco companies supply them, for example, non-GMO fish feeds are supplied in the UK and Ireland. Such feeds are externally certified as non-GMO and require specific purchasing of non-GMO raw materials, for which there is a price premium.

Of the approximately 66,000 metric tonnes of soya meal purchased by Nutreco each month in 2006 for compound feeds and fish feeds, the proportion of non-GMO was approximately 16,500 tonnes, with a price premium of 5–10%.

Approximately 60% of the fish feed supplied by Skretting in 2006 was non-GMO. Main demand for non-GMO feeds is in Europe, both for salmonid fish and marine species.

Just under 10% of Skretting fish feed in 2006 was approved by organic certification bodies, mainly for the UK and Ireland.

Environmental developments in Spain

At the end of 2005, management in Grupo Sada, the Spanish market leader in chicken and chicken products, raised attention to environmental performance by developing a clear environmental policy and committing to certify all ten processing plants to ISO 14001. The eight Sada hatcheries are being brought to the same environmental standards even though they will not be entered for certification. Further details are given on page 43.

Grupo Sada is committed to certifying all ten processing plants to the international environmental standard
ISO 14001



Progress towards ISO 14001 certification is supported by training of employees on the environmental policy and explaining the requirements for certification. It is further encouraged through a Clean Sada programme, which ensures sites are clean and free from unsightly areas such as poorly maintained stores for used drums. In anticipation of future regulations, Sada began to replace all underground storage tanks, which will be completed in the first quarter of 2007. Other improvements include a programme to enhance treatment of wastewater at the hatcheries and to ensure collection of waste from Sada sites is fully compliant with Spanish environmental legislation.



Water was identified as a key topic and Sada management produced a handbook of best practices to help reduce the use of this natural resource. All processing plants have wastewater treatment facilities and sludge from 70% of these facilities is now used on agricultural land.

In 2007, Sada is investigating the options to change all trays used in delivering products to ones that can be recycled.

Sustain feeds lead Japanese fish farmers away from fishmeal

In August 2006, Skretting Japan launched *Sustain*, a feed with a low fishmeal content for species such as yellowtail and red sea bass.

Many Japanese fish farmers believe that a high level of fishmeal is essential in feed if they are to produce fish of the quality demanded in the exacting Japanese market. Feeds average 50–60% fishmeal content and that has made them susceptible to the impact of rising fishmeal prices, as happened in 2006.

Skretting is convinced high-quality fish can be produced with far less fishmeal in the feed. Fishmeal contents in *Sustain* are as low as 30% and vegetable raw materials bridge the nutritional gap. Developed by Skretting specifically for the Japanese market, *Sustain* has won important converts and demand is growing.

In trials with yellowtail, growth rates, health and mortality all compared well with conventional diets. Samples of the yellowtail were checked for eating quality. They were prepared raw as sashimi and taste panels found them virtually indistinguishable from the usual product, in terms of taste, texture, appearance and aroma.

Sustain offers added benefits. The raw materials used mean *Sustain* feeds have a better environmental profile, for example, they introduce less nitrogen and phosphorus into the water. Retailers that are concerned about environmental impact see this as a positive feature.





feed-to-food quality

Progress 2006

- ✿ NuTrace® standards were redefined to match the rebalanced profile of Nutreco and align them with current customer demands.
- ✿ Trouw Nutrition International further expanded the array of feed ingredients that are natural alternatives to antimicrobial growth promoters.
- ✿ Skretting Aquaculture Research Centre joined the European Union AquaMax project. One focus is on maximising health benefits of farmed fish for consumers.
- ✿ Nutreco España companies helped organise the FUNDISA food safety in food production conference.

Opportunities 2007

- ✿ Implementation of expanded NuTrace® programme throughout Nutreco.
- ✿ Further reductions to undesirable substances in fish feeds.
- ✿ Progress in developing animal feeds that deliver higher nutritional quality in meat, eggs and dairy products.

Animal and fish feeds have a direct influence on the quality of the final food products. Nutreco research & development aims at producing feeds that influence the quality of food products in a positive manner, for example by producing meats with improved flavour and by ensuring fish retain their healthy nutritional value when their diets are adapted to be more sustainable.

In this context, quality includes food safety. The priority area provides an opportunity to bring together and coordinate food safety actions across the business.

Food quality

Food plays an essential role in maintaining good health and quality is central in that role. Overweight, obesity and apparent over-consumption of so-called junk food in some parts of society are focal points for health authorities, nutritionists, the public and for politicians. At the same time, attention to the health-promoting potential of good quality food is increasing, both in scientific and consumer communications.

For Nutreco, the relationship of feed-to-food quality is one of the great challenges.

Nutreco is responding by identifying ways in which it can maintain or enhance the nutritional quality of final food products through the quality of the feed, while remaining competitive in the marketplace. For example, Nutreco supplies fish feeds that ensure a good level of omega-3 fatty acids in species such as salmon and is supplying animal feed ingredients to incorporate these acids in other food products such as milk. Nutreco also supplies animal feeds that provide tasty meat with improved fat profiles and milk with optimum balances of proteins and fat. At the same time, Nutreco formulates feeds to be palatable and nutritious, to help ensure animals are well fed and healthy.

Food safety

All consumers should be able to rely on safe food and safe food requires safe feed, which additionally leads to better animal welfare. Nutreco bases the safety of its feeds on responsible purchasing of raw materials coupled with monitoring and management of undesirable substances, microbial contamination and antinutritional factors.



Public confidence in food safety is gradually increasing through the actions of the agriculture and food industries, of retailers and the attention and regulation by public authorities. However, public concerns remain an important factor driving food safety processes.

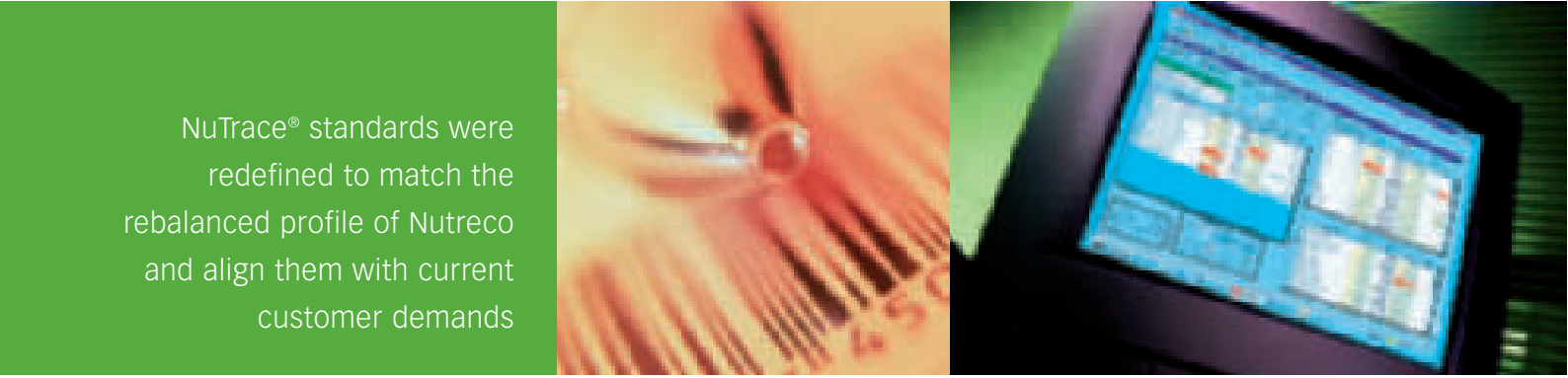
The European Commission regularly surveys consumer opinions throughout all 25 countries. This is called the Eurobarometer. When, in 2006, respondents were asked who they trust most on food safety, they ranked doctors, consumer groups and scientists at the top. Public authorities and the media came lower down, while food manufacturers, farmers and supermarkets were at the bottom.

Gaining credibility is a second challenge in this focus area for companies such as Nutreco and can only be achieved by consistently operating to high standards coupled with being open and transparent.

Compliance with regulations

The attention paid to food safety by governments and international regulators, supported by the risk assessment activities of bodies such as the European Food Safety Authority (EFSA), means there is an increasing number of regulations, of increasing specificity and strictness, applying to all players along the feed-to-food value chains.

The Quality & Regulatory Affairs department of Nutreco monitors food safety regulations, for example in Europe, Japan and the USA. The work includes maintaining records of legal limits for undesirable substances, ensuring Nutreco participates in related discussions at regulatory bodies and keeping a watch on prospective laws and regulations.



NuTrace® standards were redefined to match the rebalanced profile of Nutreco and align them with current customer demands

Extending NuTrace®

The Quality and Regulatory Affairs department is responsible for the further development of NuTrace®.

In 2006, Nutreco began the development of its NuTrace® food safety initiative to become a broad feed-to-food quality programme across all businesses of Nutreco. This involved redefining NuTrace® standards to match the rebalanced profile of Nutreco and to ensure the standards are in line with current customer demands. Surveys conducted in Nutreco businesses assessed the extent to which the new standards are met and identified areas where further attention is required.

NuTrace® is being developed as a dynamic and modular concept that can adapt and evolve with changing circumstances and can be selected from as appropriate to meet the needs of individual Nutreco businesses. The modular format makes adoption of NuTrace® standards a simpler and progressive process for newly acquired businesses. Additionally, it will help businesses attain the various certifications requested by customers. The businesses will be able to take information and data from the relevant modules and, because the NuTrace® standards are high, this will provide the input needed to complete most of the certification procedures. A further advantage of the modular approach is that it allows businesses to add local initiatives relevant to their regions, such as the TrusQ initiative in which Hendrix participates.

A NuTrace® 'common language' with agreed definitions was developed. This means that, for example, raw materials can be identified accurately and unambiguously.

Uniform risk assessment and risk management will lead to the same risk profile, conclusions and decisions throughout Nutreco, resulting in harmonised specifications for purchase and common positions towards suppliers. For example, access to the SUPRAS

database of Trouw Nutrition International has been extended to other Nutreco businesses. The SUPRAS database contains a substantial volume of data on feed-to-food safety.

As a result of enhanced coordination, Nutreco businesses will be able to identify and to take advantage of raw material opportunities more quickly. Additionally, a common Nutreco early warning/rapid alert system will lead to faster and more structured actions by Nutreco companies to avoid hazards.

NuTrace® priorities

The following topics were identified as priorities in the continuing development of NuTrace®:

- raw material assessment and control
- electronic tracking and tracing
- minimisation of cross-contamination between feed types in production facilities
- control of microorganisms such as salmonella.

In addition, attention is being given to hazard analysis and critical quality points in value-added products and services.

Coordination in raw materials purchasing will be further strengthened in 2007 through the centralised sourcing and procurement system described on pages 31 and 42.

NuTrace® audits

The modular form and common terminology for NuTrace® open the way for NuTrace® to become part of the internal HSEQ audit system, described on page 45, which already covers some aspects of food safety. The means for integrating NuTrace® into the audit process were defined and agreed in 2006 and will be brought into effect in 2007.

Food safety conference in Spain

In November 2006, FUNDISA, the Spanish food safety foundation that was established through an initiative of Nutreco companies in Spain, organised its fourth symposium on the theme 'Food Safety in Food Production'. Nutreco companies played a central role.

More than 200 delegates with a professional interest in food safety gathered for two days in Madrid, Spain. Topics discussed included food safety in farm animals, antibiotics in animal production, food safety management systems, and food and food risks in the 21st century.

The Nutreco Director of Agricultural R&D and Quality Affairs gave one of the opening presentations. He pointed out to his audience that although the safety of food was moving down the list of consumer concerns in Europe, from first place in 2003 to third place in 2006, it still is a major concern.

The potential for cleaning fish oils

Skretting has focused on detecting and minimising the content of undesirable substances such as persistent organic pollutants (POPs) in fish feeds for many years. As an example of progress achieved, Skretting Norway reduced the dioxins in feeds by 80% between 2000 and 2005. The levels in 2000 already were below statutory limits. The reduction was achieved by sourcing fish oil from reliable suppliers that can document low levels, analysing every batch and supplementing the fish oil with vegetable oils.

Through the Norwegian Fish Feed Producers Association, Skretting is working to gather information on the available technology for further reducing levels by cleaning POPs from oils. A research project will assess the effectiveness of cleaning and will monitor effects on the desirable content of the oils, such as the content of omega-3 fatty acids.

Controlled value chain for pig meat in the Netherlands

In 2006, Nutreco feed business Hendrix UTD, Jumbo Supermarkets, Dierenbescherming (the Dutch animal welfare organisation) and pig producer Cobben launched a new pig meat concept, Jumbo Aware, in the Netherlands. Controlled from feed producer to retail shelf, Jumbo Aware provides high standards of food safety.

Jumbo Aware is based on maintaining high standards in four aspects of production. These are food safety, animal welfare, environment and flavour. Cobben employs the Canadian bedding system to raise the pigs. This is a group housing system that takes account of animal welfare. It has a relatively large area per pig and a thick layer of sawdust to allow natural behaviour. The pigs are given special feed from Hendrix, made with selected raw materials.

Replacing in-feed antibiotics

In January 2006, the European Union banned all antimicrobial growth promoters from animal feed. The ban was agreed in advance and Nutreco had been developing and supplying alternative options for several years. Implementing the ban brought their contribution sharply into focus.

The major group of alternatives from Nutreco are collected in the Greenline® range from Trouw Nutrition International. Greenline® uses combinations of natural ingredients such as fatty acids, organic acids and plant and yeast components that show a positive effect or beneficial modification to the microbial population of the animal gut. They were developed by extended cooperation and investigations at the Nutreco Poultry and Rabbit Research Centre in Spain and at the Ruminant Research Centre and Swine Research Centre in the Netherlands.

The research work is continuing as Greenline® is a dynamic concept that evolves as new effective ingredients are identified.

Trouw Nutrition Specialties

Trouw Nutrition Specialties is a global business formed in 2006. It supplies a number of products that contribute to the wellbeing of livestock, for example providing support during transition periods and stress, such as around the time of birth and at weaning. These include Milkivit and Milkiwean milk replacers for cattle and pigs.

Other products include the Selko range of organic acids, which control fungi, yeasts and bacteria in the agricultural value chains. They have an important role in feed-to-food safety, from harvesting of raw materials for feed, through the production and use of feed and on to meat processing. T^{NI}betain provides multiple health benefits including gut health and better resistance to heat stress. Selacid Green Growth is an effective alternative to antimicrobial growth promoters and Protimax® provides control of ileitis, which at sub-clinical levels causes pigs difficulty in digesting their feed, again replacing antibiotics. Fibosel® provides β-glucan to boost animals' immune systems and help them resist disease challenge.



climate change

Progress 2006

- ✿ Hendrix initiated an energy savings project in Belgium and the Netherlands.
- ✿ Nutreco biofuels team identified challenges and opportunities resulting from increased biofuel production.
- ✿ Global purchasing group began exploration of opportunities to improve efficiency in transport of raw materials and finished goods.

Opportunities 2007

- ✿ Identification by R&D teams of most effective methods to use by-products from biofuel production in animal feeds.
- ✿ Achieve greater energy efficiency through projects in Hendrix and Nutreco companies in Spain.
- ✿ More efficient delivery of fish feed in Chile following completion of Pargua pier.



Changes in the global climate have multiple effects on Nutreco: on raw materials supply and on the needs of its customers. At the same time, agriculture is an important contributor to the production of greenhouse gases with a potential to contribute to climate change. These are carbon dioxide from energy consumption and methane and nitrous oxide from livestock. Partially offsetting this, the crops grown in agriculture absorb carbon dioxide.

Climate change topics addressed by Nutreco in 2006 relate to the change in raw material markets caused by the move towards biofuels, the transport of raw materials and finished goods, and a reduction in carbon dioxide emissions resulting from better energy management at production and processing plants.

Biofuels and animal feed

The production of biofuels, based on agricultural products, has become a significant industry in recent years. As a strategy in tackling climate change, many governments are now promoting the production and use in transport of biofuels — bioethanol and biodiesel — rather than fossil fuels. Production doubled from 2001 to 2005, when it totalled 670,000 barrels a day. This represented one percent of the global transport fuel supply. At present, the increase in biofuel production is the result of intervention by governments. Biofuels can become competitive with fossil fuels if production becomes more efficient and/or oil prices rise.

The Organization for Economic Cooperation and Development (OECD) published a report on 'Agricultural Impacts of Future Growth in the Production of Biofuels' in February 2006. The OECD estimated that to produce 10% of transport fuel as biofuel, in the US, Canada and Europe, would take from 30% to 70% of the current crop area, respectively. This assumed no improvement in production technology and no change in land use to bring in marginal or fallow areas. Even so, the potential impact on raw

material markets is clear, especially on vegetable oils, grains (both wheat and maize) and sugar. There will be a significant change in the raw materials available for use in the feed industry because of the growth of the biofuel industry. Adapting to this is a challenge for Nutreco.

In 2006, a Nutreco biofuel project team investigated and analysed the effects of biofuel production, the changes it will cause in the raw material markets and the opportunities they present.

The demand for vegetable raw materials for the production of biofuels is already changing the economics of commodity markets. The price of energy is affecting prices being paid by the feed and food industries for crops such as sugar (cane and beet), cereal grains and oilseeds. However, there is a compensating factor. Biofuel production leads to by-products that can be used in feeds. As a result, feed producers must adapt to a different set of raw materials and take the first step in converting these new by-products into nutritious protein.

Bioethanol is made from cereals and sugar. By-products that can be used in feed include dried distillers grains. Biodiesel can be made from refined vegetable oil and methanol. Glycerol, which can be converted by animals into glucose, is a main by-product, around 10 kg for every 100 kg of biodiesel. Converting such by-products into animal feeds will become normal practice for feed producers.

From 2006, Nutreco allocated increased resources to research the nutritional value of these new raw materials. The techniques required to process them are being investigated at the Research Feed Plant in the Netherlands, part of the Agriculture R&D structure.

Nutreco is aware that rising demand for agricultural raw materials may lead to the development of new areas of production,



Transport for raw materials and finished goods is being investigated by Nutreco, exploring opportunities to improve efficiency



including the destruction of primary forest. This point is addressed, in relation to soya cultivation, on page 29. By identifying ways to use the by-products from biofuel production as raw materials, Nutreco can help alleviate the pressure and contribute to making crop production for biofuels more sustainable.

Transport

Transport for raw materials and finished goods is being investigated by Nutreco, exploring opportunities to improve efficiency. By investigating these areas, Nutreco is looking further along the value chain in both directions, beyond its directly owned activities.

One approach comes from the global sourcing initiative reported on page 31.

Development of the sourcing initiative began in August 2006 with a review of all purchasing activities, performed by purchasing consultants. The review identified 28 sourcing categories. To assess the real potential for Nutreco, in November 2006 cross-functional groups investigated the opportunities in nine of the identified categories, one of which was freight (transport of finished goods). Each group included, for example, representatives of purchasing, control functions and sales, as well as a consultant to guide the process. In addition, each group had a sponsor in senior management. All project groups used a fact-based approach and identified opportunities for substantial cost reductions. More efficient use of freight transport will bring an incidental benefit by reducing carbon dioxide emissions.

Following the appointment of the Corporate Sourcing & Procurement Director in February 2007, opportunities identified will be brought into effect.

More efficient transport in Chile



Delivery of feed by boat is more energy efficient than delivery by road for many fish farms in the main aquaculture region of Chile, Region X. In 2006, Skretting Chile finalised plans to build a pier in 2007 at its Pargua feed plant to facilitate delivery of feed by boat.

Delivery by boat will support the growth of aquaculture south of the Region X. To the south, Region XI is relatively undeveloped with a very basic infrastructure. It is already the location for around 20% of the total Chilean salmon production, with farms that occupy less than one percent of the areas suitable for aquaculture. Delivery by road to fish farms is difficult or impossible in almost every instance. Boats of 2,000 tonnes displacement using the pier will be able to deliver feed about 650 kilometres from Pargua, well into Region XI, helping to initiate economic development.



Energy management

Nutreco encourages the development and implementation of energy efficiency programmes at operating companies. Energy consumption in Nutreco companies is recorded and reported as a component of CSR reporting. Details on energy consumed in 2006 will be published in the CSR section of the Nutreco website (www.nutreco.com).



In 2006, 37 Nutreco companies from the total of 67 had energy efficiency programmes in place and a further nine had programmes in development. Examples are described below.

Energy efficiency in feed production

Hendrix, the leading animal feed business in Belgium and the Netherlands, initiated an energy savings project in 2005, which ran throughout 2006 and will continue in 2007.



Effective measures to reduce consumption of electricity and gas included better maintenance and control of compressed air and cooling systems, reduction of consumption by equipment running at weekends, using a crane rather than a blower to bring in raw materials, moving some production activities away from periods of peak power demand and improved management of gas supplies.

Monitoring energy for processing in Spain

As reported on page 34, Grupo Sada, the Spanish market leader in chicken and chicken products, is committed to certification of all ten processing plants to ISO 14001, which relates to environmental performance.

In 2006, Sada recruited a team of environmental specialists to help drive and guide the process towards certification. During the year, they identified matters that required attention and appropriate actions have been, or are being, implemented. It is expected that the final audits for ISO 14001 certification will take place in May 2007 and certification will be completed the following month.

Energy, especially electricity, is now a key topic of attention in Sada. The use of energy in the form of fuel and power is monitored using a data recording system introduced by Sada in 2002. Data is recorded monthly and published within the company to all managers, including the ratio of consumption to production. Improvements in efficiency begin with investigations to identify the reasons for differences between plants and through the exchange of best practices.

In 2006, Sada decided, where possible and economic, to convert from oil-fired power generation to natural gas or propane. The Toledo plant switched to propane in 2006 and plans are in hand for the plant in Lleida. This will reduce the carbon dioxide emissions by around 25% for the same power output.



nutreco people & investing in the community

Progress 2006

- ✿ Nutreco introduced worldwide HR standards and performance management systems.
- ✿ Poultry processing business Grupo Sada achieved further improvements in safety at work, reaching frequency levels around half the industry average.
- ✿ The covenant of the Round Table on Responsible Soy signed by Nutreco stipulates suppliers must have no connection with child labour or forced labour.


Opportunities 2007

- ✿ Raise standards of safety at work even higher in Nutreco, including in businesses acquired by Nutreco.
- ✿ Strengthen relationships between Nutreco operating companies and local communities.
- ✿ Identify fresh business opportunities that stimulate local economies and provide mutual benefits for Nutreco and the region concerned.


This priority area includes people in Nutreco and those affected by the activities of Nutreco. It is an opportunity to report on employment and social policies and to make clear that Nutreco is aware that it cannot operate in social isolation.

Externally, more than avoiding negative impacts, Nutreco businesses are encouraged to find and bridge gaps in local community social structures through, for example, welfare, cultural and environmental initiatives.

Nutreco employees

The number of Nutreco employees increased from 6,993 in 2005 to 7,919 as at 31 December 2006. The increase reflects a growth of activities in emerging economies and in the Asia-Pacific region in particular. The most significant increase came from the expansion of activities by Trouw Nutrition International in China. Nutreco policy  is to retain and recruit mainly local employees for companies in all countries in which it operates.

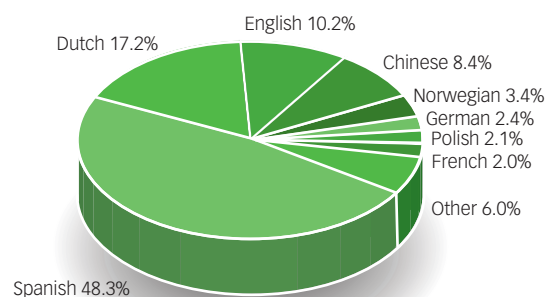
The number of women employed in Nutreco was 2,089. The proportion of staff in managerial positions was 8.22% and 23.15% of these were female. Staff turnover worldwide and across all activities fell from 12.4% to 6.5% (excluding employees of either acquired or divested companies). The average age was 37.8 years: 38.4 years for men and 35.8 years for women. The average duration of employment was 10.9 and 7.9 years, respectively. Bachelor degrees or higher qualifications were held by 19% of Nutreco employees.

 Nutreco policy is to offer employees and applicants equal opportunities regardless of gender, race or religion.

Approximately 2,300 (29%) of the Nutreco personnel worked in the premix and speciality industry, 28% in the meat processing industry in Spain (Sada), 16% in animal nutrition, 16.5% in fish feed companies, 6% in the breeding group and 4.5% in research & development, head offices and shared service centres. Close to 40% of all Nutreco employees worked in Spain and almost 15% in the Netherlands. Employees in each of the other countries represented less than 10%, with only China and Chile being above 5%.

The working language within Nutreco is English, as the main international business language. The chart on this page shows the main languages spoken.

Language distribution in 2006



Health and safety

Health and safety of employees has a high priority in Nutreco and forms a substantial part of the audits conducted by the Health, Safety, Environment and Quality (HSEQ) team based in Boxmeer. The team is a key contributor to maintaining and improving standards that apply throughout Nutreco operations. The Corporate HSEQ Director reports to the CEO of Nutreco.

The HSEQ team regularly inspects and audits production and processing sites, primarily to ensure that Nutreco standards are met. Where equipment, conditions or working methods do not meet with Nutreco standards, the matter is recorded together with recommendations on necessary changes. Audit reports are submitted to site and business management and to the Executive Board. The HSEQ team monitors the implementation of all 'urgent' recommendations. HSEQ recommendations are strong support for related capital expenditure applications.

In addition to health and safety, audits include certificates and licences, quality control and hygiene measures, and complaints concerning odours or noise. Where problems are identified, the team works with management to find a practical solution that meets regulatory requirements. The exact details of solutions may vary from site to site, to suit the construction and activities of each site rather than imposing identical procedures everywhere.

As the HSEQ team visits all Nutreco installations, it facilitates sharing of knowledge and best practices relating to health and safety at work as well as production. It acts as an information and advice resource on health and safety issues and may, if invited, take part in audits of suppliers.

The HSEQ team also coordinates the gathering of performance data used in Nutreco Corporate Social Responsibility Reports.

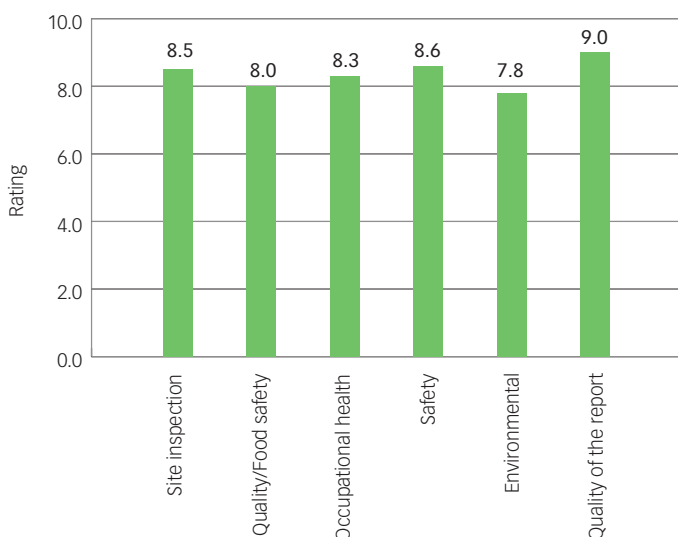
Nutreco has had an HSEQ team since its foundation in 1994. The team has visited every production site several times, apart from recent acquisitions, and has recorded continuous improvement. Well performing sites are audited at least every four years. Inspections are made between audits so that such sites are visited every two years. Other sites, for example those brought into Nutreco in acquisitions, may be visited more frequently as they are brought to required standards.

In 2006, the HSEQ team initiated a practice of asking business managers to assess the usefulness of the HSEQ audits. The team also conducted a survey of the extent to which recommendations had been followed up one year after audit. The results of the surveys are given in the charts below.

In addition to health and safety, HSEQ audits relate to the relationship of Nutreco businesses with the local community through the environment and quality aspects of the audits. Through these topics, they relate to the other three CSR focus areas. Therefore, a comparison of audit scores over several years provides a corporate Key Performance Indicator, as described in chapter two.

Ratings by Nutreco companies of the quality of the audits performed by Nutreco HSEQ

(on basis of 28 replies so far; scale used is 0)



Absenteeism and workplace accidents in 2006

Company-wide absenteeism stood at 4.33% in 2006 (2005: 3.93%).

The number of lost time incidents (LTIs) was 206 (264 in 2005) and the LTI frequency rate (number of incidents per million man-hours) was 16.3, compared with 15.7 in 2005. There were no fatal accidents in Nutreco in 2006. Extra attention was given to safety at work following three fatal accidents in 2005. Nutreco aims to pursue an active accident prevention policy in all operating companies.

Nutreco maintains an ultimate objective of zero accidents in the workplace. While, in practice, this may not be possible, there is a continuous effort to bring the numbers as low as possible.

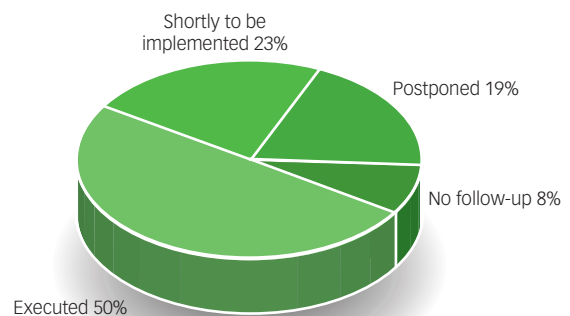
Higher rates of LTIs occur in processing activities because of the nature of the work and equipment used. Following the changes to Nutreco, processing only takes place in the Sada business unit in Spain, which processes poultry for retail, food service and food processing.

Skretting Chile gains OHSAS certification

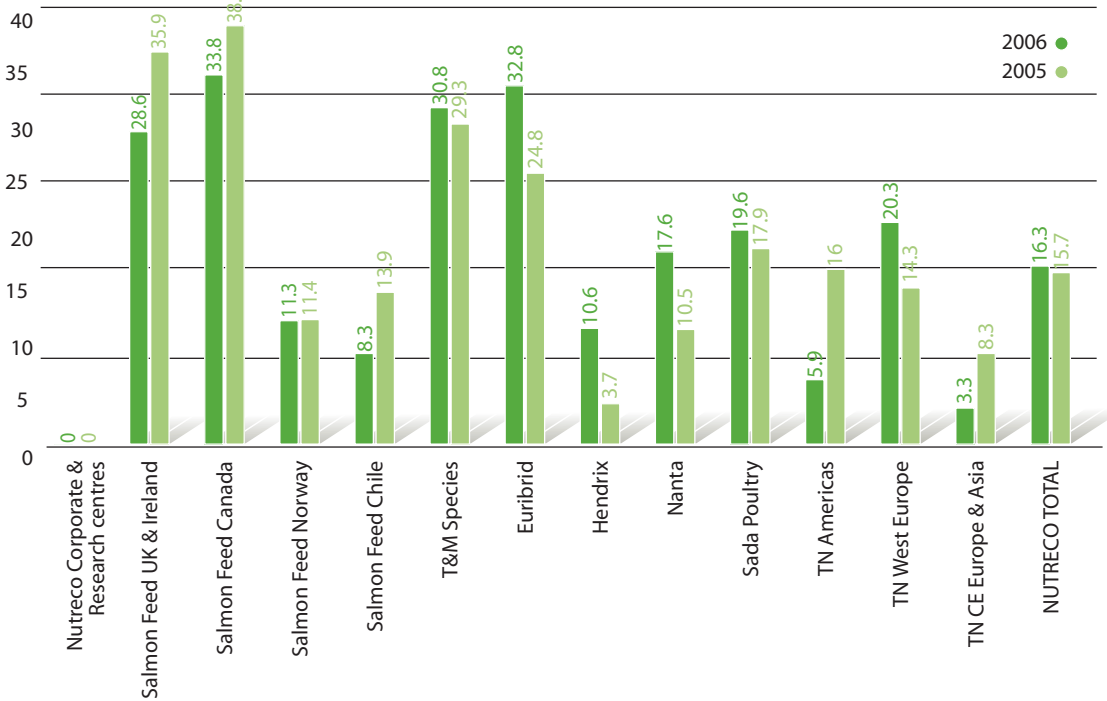
In December 2006, Skretting Chile gained certification under the international standard for occupational health, safety and security, OHSAS 18001. Skretting Chile is the first fish feed company in Chile to have this certification. It applies to all three Skretting plants in Chile, which together employ more than 500 people.

Follow-up of HSEQ audit recommendations by the Nutreco companies

(after 1 year, period 2004 and onwards; basis are 396 urgent recommendations)



LTIs per million man-hours per BU in 2005–2006



OHSAS 18001 certification represents a further milestone in the Social Responsibility initiative launched by Skretting Chile in 1998. Through an integrated management system applying in the three plants, the initiative has already led to certification of product quality under ISO 9001 and environmental sustainability under ISO 14001. The OHSAS 18001 certification maintains Skretting Chile's position as a pioneer in the Chilean industry.


Education and training

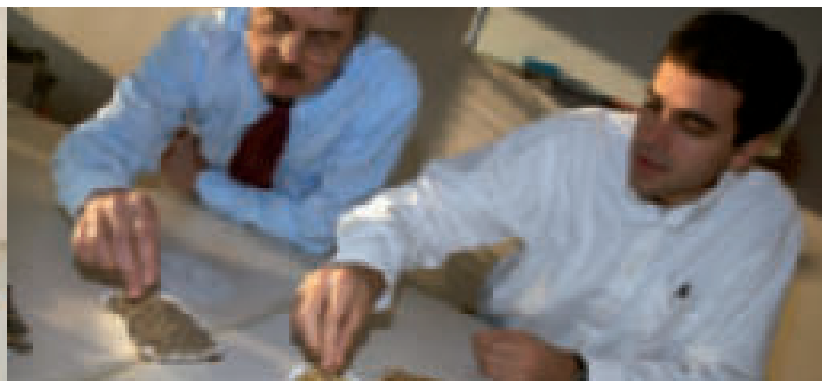
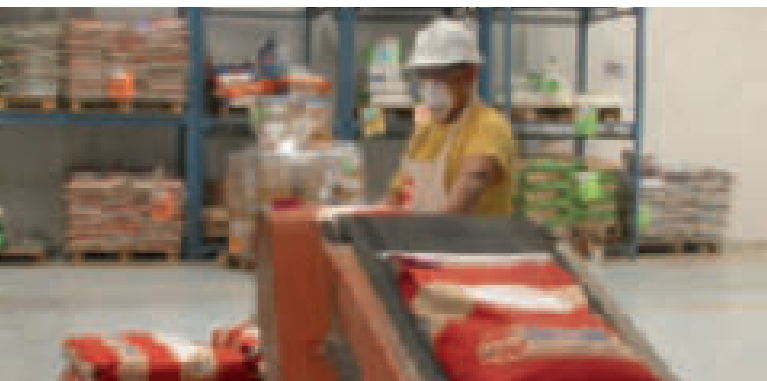
The people that make up the workforce of Nutreco are its most significant assets. Their know-how and expertise represent an important part of its future. Care is taken to ensure they are

treated fairly, given equal opportunities and offered opportunities to progress — through education and training or by movement within the company.

Details of training provided in 2006 will be published in the CSR section of the Nutreco website (www.nutreco.com > Corporate Social Responsibility > CSR Report > Additional Information).

Human rights

 All Nutreco employees are paid in accordance with national legislation and never less than the minimum wage in their country of employment. It is Nutreco policy that they should be at





Reducing accidents in Grupo Sada

Grupo Sada employs 2,300 people and has six operating companies responsible for chicken processing. As stated above, processing is the activity in Nutreco that has the highest rate of LTIs, because of the nature of the work and equipment used. Nutreco España in 2002 began a programme to reduce the number of accidents and to reduce the incidence of repetitive strain injury (RSI), also typical in this type of work.

The programme began with the collection of data on accidents and injuries at all plants. This was reported monthly to all managers for all sites, drawing their attention to the rate of incidents and variation between sites, days of the week and time of day. Increased awareness and sharing best practices led to a continuous reduction from 2002 to 2006.

The next step was to introduce an accident report system, using Lotus Notes. A standard form ensures all required information is provided, including how, when and where the incident occurred, witness reports and an indication of severity as well as corrective actions taken to reduce the chances of it happening again.

An alert is sent automatically to the HSEQ manager in Spain and the Corporate HSEQ director when a more severe incident is recorded. The Lotus Notes facility is also used by the business group Feed Spain (Nanta and Agrovic).

Integration of local medical services in the assessment of incidents and injuries has provided additional information and contributed to a further reduction in incidents.

The HSEQ manager in Spain collates the information derived from the reports to identify problem activities or equipment. These are further investigated and solutions discussed at quarterly

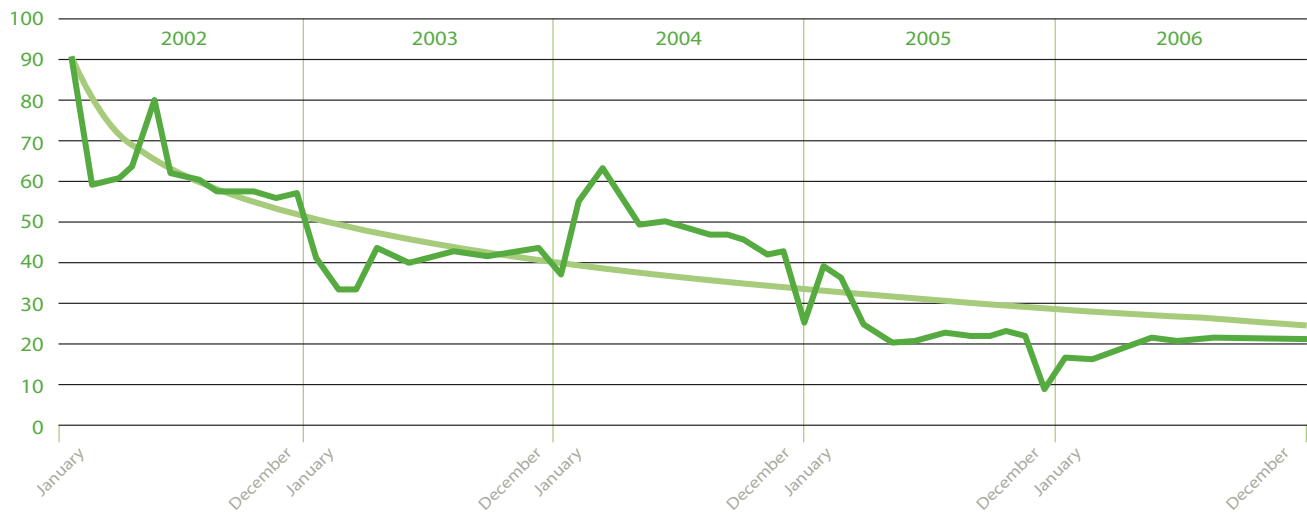
meetings of the HSEQ team in Spain with site managers. Recent improvements include the installation of rising platforms to help in loading pallets without lifting above shoulder height.

The graph opposite shows the reduction in accident numbers from 2002–2006. These figures include RSI incidents. The horizontal lines in the ratio graph indicate the industry average in Spain and show that, since introducing its accident reduction programme, Sada has moved significantly below the average.

Implementation of good health and safety standards and recording at Sada sites opened the way for all the processing sites to gain certification under OHSAS 18001 in 2005. Access to an Internet site, provided by a third party, now provides access to all relevant and upcoming legislation, with automatic update alerts.

In 2007, the incident reporting scheme will be extended to the employees of the cooperatives that supply approximately 900 people to work in the processing plants. These cooperatives have a contract to provide an agreed number of people each day to work in a plant. The individuals concerned may well change from week to week or day to day, making the task of identifying absence through injury more difficult. Arrangements have been agreed to keep records and implement related training for these people as well.

Accident reduction in Spain



least in line with those in equivalent industries in the same country as Nutreco is keen to recruit and retain a high-quality workforce.


The Nutreco human resources guidelines state that companies will, in principle, follow collective labour arrangements. On top of this, companies will develop a total compensation and benefit and social security package in order to position themselves as a good and attractive employer in their industry.

International labour standards

The standards specified in OECD conventions and the relevant ILO Conventions on employment are endorsed by Nutreco and, where valid for the business, are integrated in the Code of Ethical Conduct, Nutreco HR Standards and the HSEQ Policy. These can be found on the Nutreco website: www.nutreco.com > Corporate

 Governance, and > Corporate Social Responsibility.

The rights include the freedom of association and union membership. They also include the clear assertion that Nutreco

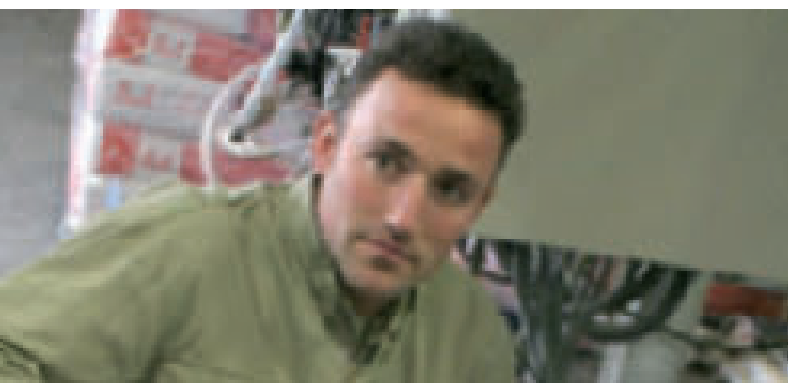
 does not engage in or support the use of child labour, as defined in these standards and conventions.

Employee representation

Most employees are represented on works councils and Health, Safety and Environment (HSE) committees. The proportion of sites with such councils and committees will be indicated on the Nutreco website, www.nutreco.com.

Nutreco has a European Information and Consultation Council, in line with EC Directive 94/45/EC, which requires all companies above a certain size and operating in more than one European country to have a means whereby management can inform and consult with employee representatives on matters that affect employees in more than one of these countries. The council meets twice a year and minutes are made available in eight languages.

Many Nutreco Business Units regularly conduct employee satisfaction surveys. Information on surveys that have been conducted in Nutreco businesses in the past three years will be published on the Nutreco website, www.nutreco.com.






Investing in the community

Nutreco aims to have a positive influence in the community, helping to bridge gaps in local community social structures. This applies both to local communities around its centres of activity and more distant ones, for example in countries supplying raw materials. Initiatives by Nutreco businesses can include welfare, cultural and environmental activities. Figures for contributions to the community will be published on the Nutreco website, www.nutreco.com.

Most of these programmes run over several years and have already been covered in previous reports. An example from 2006 is described below.

Skretting supports studies to improve marine hatcheries

Three people working in hatcheries in the Asia-Pacific region were selected as Skretting Scholars, enabling them to attend a training course in providing practical experience in breeding and fingerling production of several grouper species, organised by the Network of

Aquaculture Centres in Asia-Pacific (NACA). The scholarships  provided financial support, including travel and accommodation, for the scholars to attend this intensive course at the Brackishwater Aquaculture Development Centre-Situbondo in East Java, Indonesia.

Prospective scholars applied to NACA, which selected the Skretting Scholars based on criteria agreed with Skretting. NACA received well over 30 applications in 2006. The successful scholars were from India, Myanmar and Thailand.

Rural support and care in the Netherlands

In the Netherlands, an organisation called Landelijk Steunpunt & Zorg (Rural Support & Care) helps to organise a network of around 400 farms that provide constructive and therapeutic activities and rehabilitation for people with physical or psychological difficulties. To help continue their activities, these farms encourage local companies to participate through a scheme that involves employees working for a day on the farm to implement a scheme agreed between the farm and the company in advance. The company also helps provide necessary materials and equipment.

Hendrix UTD began a programme of actions with these farms in 2003 and has identified more benefits than expected, including increased morale and greater integration between employees. In 2006, Hendrix participated, with a donation of €5,000, in the building of housing for calves and sheep on one of the farms. Caring for the animals helps young people working at the farm to learn about taking responsibility.

Employment in soya production

Employment conditions are part of the multi-party covenant relating to the purchasing of soya meal, described on page 29. In Nutreco, because of concerns expressed about the social as well as environmental impact of increasing production of soya bean, the standard contract framework includes specific human rights stipulations.



• No child labour in the supply chain from agricultural production to delivery in the shipment port.



• No slavery in the supply chain from agricultural production to delivery in the shipment port.

Monitoring community impact

One of the ways in which Nutreco can monitor its impact on communities local to its production and processing activities is through the registration of complaints, in particular those relating to odour or noise.

All plants keep a log of complaints received. These are always responded to and, where practicable, measures are taken to eliminate the cause. This can be through further training of operating personnel, through liaison with suppliers and sub-contractors, by changes to procedures or by making physical changes to the plant itself, for example installing new odour abatement systems.

Information on cases leading to odour or noise complaints will be published on the Nutreco website, www.nutreco.com, together with data on litigation in 2006, operating licences and formal notices.

Dilemmas as Nutreco expands

As Nutreco grows, it is becoming involved with widely varying cultures and expectations regarding health and safety at work. Every new acquisition starts from a different position but progress, though at different speeds, is always towards the Nutreco HSEQ standards. However, the approach has to be pragmatic. While Nutreco can set higher standards and expectations compared with other companies in a region, it cannot move so far ahead that the plant is no longer competitive. Even so, risk assessment and control must take the same approach. Solutions may differ but danger is not tolerated.

HSEQ inspections are part of the due diligence procedure preceding acquisition, to define the weak and strong points of a prospect. If a plant is dangerous, unless it can be rectified it will be excluded, or the acquisition does not proceed. HSEQ problems that can be solved within reason are changed straight away. Around one year after acquisition, the Nutreco HSEQ team will conduct a second audit. It can be earlier if the business managers identify an urgent matter.

Nutreco understands it must respect local conventions. For example, some plants are in locations where it is normal for all ingredients to be in bags. Nutreco could invest in automating such a plant to work with bulk ingredients but this would cause more problems than it would solve. The labour force and local community could be alienated because of the loss of employment and there could be difficulties in finding qualified operators and in maintaining the equipment.

Nutreco believes that consulting with the employees to make their working practices safer is a better solution for everyone, developing a 'custom-made' approach for each company while keeping the ultimate health and safety objectives in mind.





addendum

assurance report

To the readers of the Nutreco Sustainability Report 2006.

Introduction

We have been engaged by Nutreco Holding N.V. to review the Nutreco Sustainability Report 2006 (further referred to as The Report). The Report, including the identification of stakeholders and material issues, is the responsibility of the company's management. Our responsibility is to issue an assurance report on The Report.

Context and scope

The scope of our engagement is explained by Nutreco on page 63 of the Report. Our assurance engagement covers all information in the report with the restriction that indicators on absenteeism, workplace accidents and accident reduction data at Grupo Sada are excluded.

We designed our engagement to provide the readers of the report with:

- reasonable assurance on whether:
the financial information in the report presented on page 7 is properly derived from the audited 2006 Group financial statements of Nutreco Holding N.V.
- limited assurance on whether:
the other information in The Report as defined by the scope of our assurance engagement is fairly stated.

'Fairly stated' means that the report properly reflects the information contained in the underlying sources such that it is consistent with the source information.

To obtain a thorough understanding of the financial results and financial position of Nutreco Holding N.V, the reader should consult the Nutreco audited Group financial Statements for the year ended 31 December 2006.

Standards and criteria

We conducted our engagement in accordance with the International Standard on Assurance Engagements (ISAE 3000): "Assurance Engagements other than Audits or Reviews of Historical Financial Information", issued by the International Auditing and Assurance Standards Board. Amongst others this standard requires that:

- the assurance team members possess the specific knowledge, skills and professional competencies needed to understand and review the information in The Report, and that they comply with the requirements of the IFAC Code of Ethics for Professional Accountants to ensure their independence;
- when providing limited assurance, which is a lower level than reasonable assurance, a negative form of conclusion is used.

There are no generally accepted standards for reporting sustainability performance. Nutreco applies its own internal sustainability performance reporting criteria, derived from the Sustainability Reporting Guidelines v3.0 (G3) from GRI and internal corporate guidelines for HSE reporting.

Work undertaken

We undertook the following activities:

- assessing the qualitative information by interviewing staff at corporate and business level and by reviewing internal and external documentation such as minutes of meetings, reports, and intranet sources;
- reviewing the underlying principles of information management, and reviewing the data collection, aggregation and validation process by the corporate HSEQ department;
- a media analysis and internet search covering sustainability issues for Nutreco in the reporting period;
- a consistency check to ensure that the Report includes information on the key commitments and targets in the 2005 Sustainability Report;
- visiting a production facility of Grupo Sada in Spain to assess the data collection process at local level.

For the financial information in the report we have reconciled the data on financial performance on page 7 with the audited 2006 Group financial statements of Nutreco Holding N.V.

Following our review we discussed changes to the draft reports with Nutreco, and reviewed the final version of The Report to ensure that it reflected our findings.

Conclusions

Based on the above we conclude that:

- the financial information in the report presented on page 7 is properly derived from the audited 2006 Group financial statements of Nutreco Holding N.V.;
- the other information in The Report as defined by the scope of our assurance engagement is fairly stated.

Commentary

Without affecting the conclusions presented above, we would like to draw readers' attention to the following:

Nutreco has been in the process of developing new KPIs to monitor progress on material issues. Embedding these new KPIs in the organisation and reporting on performance thereon in the regular planning and control cycle is the next phase in this process. We strongly recommend Nutreco to ensure the right conditions are timely in place regarding the reliability of these new KPIs. This involves amongst others designing clear definitions, providing guidance on KPI performance reporting, outlining instructions for gathering necessary data and improving aspects of present internal control systems. In addition, we recommend Nutreco to report on targets set for the new defined KPIs and the first performance results in the next Sustainability Report, in order to expand the level of business related performance reporting in relation to the sustainability issues defined.

Amstelveen, 20 April 2007

KPMG Sustainability B.V.
W.J. Bartels RA, director

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glossary and abbreviations

Compound feed	Feed composed of various raw materials according to exact formulations and containing all nutrients essential for an animal's maintenance and growth
Concentrates	Mixture of vitamins, trace elements, minerals (premix) and proteins used in the production of compound feed and fish feed
EFSA	European Food Safety Authority
EU	European Union
FAO	Food and Agriculture Organization of the United Nations
FEFAC	European Compound Feed Manufacturers' Federation
Fish feed	A compound feed prepared for fish, having a higher nutrient concentration than feed for land animals
FUNDISA	Spanish food safety foundation established by a Nutreco initiative
GMO	Genetically modified organism
GRI	Global Reporting Initiative
HSEQ	Health, Safety, Environment and Quality
ICES	International Council for the Exploration of the Sea
IFFO	International Fishmeal and Fish Oil Organisation
ILO	International Labour Organization
IMARPE	Instituto del Mar del Perú
NEAFC	North East Atlantic Fisheries Commission
NGO	Non-governmental organisation
OECD	Organization for Economic Cooperation and Development
OHSAS	Occupational Health and Safety Assessment Series
Organic	Feed and food products where artificial fertiliser and/or chemical crop protection agents are not used in their production, or are strictly limited
Premix	Mixture of high-quality nutrients, such as vitamins, trace elements and minerals, used in the production of concentrates and compound feed

GRI index

1. Profile — Strategy and analysis

1.1	Introduction by CEO	14 et seq.
	Strategy	CSR strategy, inside front cover, 8–9 Corporate strategy, Annual Report 11
	Governance	22. Annual Report 50 et seq.
1.2	Key impacts, risks and opportunities	These topics are summarised on the following pages, more detail is given throughout the report: pages 8–11, 16–19, 23, 28–29, 36–37, 40–41, 44–45

2. Profile — Organisational profile

2.1	Name	4
2.2	Primary brands, products and services	www.nutreco.com
2.4	Location of headquarters	Back cover, Annual Report back cover
2.5	Countries of operation	4–5, Annual Report 149–154
2.6	Nature of ownership, legal form	4
2.7	Markets served	4–5
2.8	Scale of organisation	4–6 and Annual Report 82, 148–154, www.nutreco.com
2.9	Significant changes	5, 18
2.10	Awards in 2006	15

3. Profile — Report parameters

	Report profile	
3.1	Reporting period	2006
3.2	Previous report	2005
3.3	Reporting cycle	Annual
3.4	Contact point	62
	Report scope and boundary	
3.5	Process for defining report content	The report mainly covers information relating to the four CSR focus areas defined on page 18
3.6	Boundary of report	Nutreco operations, pages 4–5
3.7	Limitations	63
3.8	Joint ventures etc.	63 and Annual Report 148–154
3.9	Data measurement	Data is collected in accordance with specifications from Nutreco HSEQ, pages 45–46
3.10	Effects of restatements of information	None
3.11	Significant changes from the reporting periods in the scope, boundary or measurement methods applied	None
3.12	GRI contents index	This page
3.13	Assurance	54

4. Governance, commitment and engagement

	Governance	
4.1–7	Governance structure	22 and Annual Report 50–65
4.8	Internally developed statements	www.nutreco.com: Corporate Governance and Corporate Social Responsibility
4.9–10	Governance body's overview	22 and Annual Report 50–65
	Commitments to external initiatives	
4.13	Membership in associations	25
	Stakeholder engagement	
4.14–17	Stakeholder groups engaged with	15, 16, 18, 19, 29–35, 38, 39, 43–51 and Annual Report 12–13, 37–43

Economic performance indicators

	Economic performance	
EC1	Direct economic value generated and distributed	Annual Report
EC2	Financial implications of climate change	40–43 and Annual Report 8, 40
EC3	Benefit plan obligations	Annual Report 58, 92, 119, 129
EC4	Financial assistance from government	Annual Report 93, 101–102
	Market presence	
EC7	Local recruitment	45
	Indirect economic impacts	
EC9	Significant indirect economic impacts	33, 34, 42

Environmental performance indicators

	Materials	
EN1	Materials used	32–34
EN2	Percentage recycled	Raw materials, often by-products, are converted to feed, which provides food and could be classed as recycling. 29–34.
	Energy	
EN3	Direct energy consumption	To be published on Nutreco website > CSR www.nutreco.com
EN5–7	Energy saving	42–43
	Water	
EN8–10	Consumption of water, sources and recycling	To be published on Nutreco website > CSR www.nutreco.com
	Biodiversity	
EN12	Impacts of activities	28–35
EN14	Strategies, actions, plans	28–35
EN16–27	Emissions, effluents and waste	To be published on Nutreco website > CSR www.nutreco.com
	Compliance	
EN28	Fines and other sanctions	To be published on Nutreco website > CSR www.nutreco.com

Labour practices and decent work performance indicators

	Employment	
LA1-2	Total workforce data	45
	Occupational health and safety	
LA6	Representation on site committees	49
LA7	Data on injuries, occupational diseases, absenteeism etc.	46
	Training and education	
LA10	Average hours training per year, per employee per category	To be published on Nutreco website > CSR www.nutreco.com

Human rights performance indicators

	Child labour	
HR6	Identification of risk and measures taken	49, 50, 58
	Forced and compulsory labour	
HR7	Operations identified as having significant risk	30, 50, 58

Social performance indicators

	Community	
SO1	Assessment of impact on communities	51 and to be published on Nutreco website > CSR www.nutreco.com
	Public policy	
SO5	Participation in public policy development and lobbying	31 and to be published on Nutreco website > CSR www.nutreco.com
SO6	Financial contributions to political parties, politicians and related institutions	Nutreco does not make such contributions: Nutreco code of Etical Conduct
	Anti-competitive behaviour	
SO7	Legal actions for anti-competitive behaviour	None
	Compliance	
SO8	Monetary value of significant fines and number of non-monetary actions for non-compliance	Number of non-compliances to be published on Nutreco website > CSR www.nutreco.com




Product responsibility performance indicators

	Customer health and safety	
PR1	Life cycle stages in which health and safety of products and services are assessed	36-39

GRI Application Level Grid

		C+	B	B+	A	A+
	2002 in accordance	C				
Self Declared		√				
Third party checked		Partial				
GRI checked						

millenium development goals

MDG	Sub-goal	Nutreco action	Sub-chapter title
 <p>1 MDG 1: Eradicate extreme poverty and hunger</p>	Sub-goal 2: Provide employment and living wages	Nutreco is a participant in the Responsible Soy covenant, which states that all companies purchasing, processing or using soya from Brazil are committed to ensure that no supplier is connected to slavery.	Sustainable management of natural resources
		Nutreco policy is to retain and recruit mainly local employees for companies in all countries in which it operates.	Nutreco people & investing in the community
		Nutreco policy is to offer employees and applicants equal opportunities regardless of gender, race or religion.	Nutreco people & investing in the community
		The rights of Nutreco employees include the freedom of association and union membership.	Nutreco people & investing in the community
		All Nutreco employees are paid in accordance with national legislation and never less than the minimum wage in their country of employment. It is Nutreco policy that they should be at least in line with those in equivalent industries in the same country as Nutreco is keen to recruit and retain a high-quality workforce.	Nutreco people & investing in the community
	Sub-goal 3: Stimulate local agricultural production	Skretting in Chile is providing valuable support for agriculture and aquaculture in the south of the country, which will contribute to economic development.	Sustainable Management of Natural Resources Climate change
		Skretting scholarships provided financial support, including travel and accommodation, for scholars to attend a course in hatchery management.	Nutreco people & investing in the community
 <p>2 MDG 2: Achieve universal primary education</p>	Sub-goal 1: Avoid child labour	Nutreco does not engage in or support the use of child labour, as defined in OECD conventions and the relevant ILO Conventions.	Nutreco people & investing in the community
	 <p>7 MDG 7: Ensure environmental sustainability</p>	Sub-goal 1: Reduce environmental impact	Water was identified as a key topic for Grupo Sada. Management produced a handbook of best practices to help reduce the use of this natural resource.
Delivery of feed by boat is more energy efficient than delivery by road for many fish farms in Chile. Skretting Chile is building a pier to facilitate delivery of feed by boat.			Climate change
In 2006, 37 Nutreco companies had energy efficiency programmes in place and a further 11 had programmes in development. Examples from Hendrix and Grupo Sada are described.			Climate change
Sub-goal 2: Protect ecosystems & biodiversity		Nutreco is a participant in the Responsible Soy covenant, which states that all companies purchasing, processing or using soya from Brazil committed not to source soya from newly cultivated land.	Sustainable management of natural resources

contact us

The CSR Report Team

Frank van Ooijen
Harm Teunissen
Reinder Sijtsma
Sigrid van Amerongen
Graham Look

Assurance report

KPMG Sustainability

Advised by

DHV Sustainability Consultants
Amersfoort, the Netherlands

Concept and design

www.porternovelli.be

If you have comments on this Nutreco CSR Report, or would like further information, please let us know.

You can contact the team responsible for the report by visiting the Nutreco website and following the links to the Nutreco CSR Report, or by sending an email to info@nutreco.com or by writing to:

The CSR Report Team
Nutreco Holding
Prins Frederiklaan 4
P.O. Box 299
3800 AG Amersfoort
The Netherlands

Please provide your name, occupation and postal address or email address.

If you would like copies of the Nutreco CSR Report or the Nutreco Annual Report, please send your request to the contact address above.

These publications may also be viewed on the Nutreco website at <http://csr-report.nutreco.com> and <http://annual-report.nutreco.com>

about this report, GRI and MDGs

The Nutreco Corporate Social Responsibility Report is complementary to the Nutreco Annual Report.

Reporting is based on information held by corporate offices and on information gathered from the businesses and operating companies that are wholly owned by Nutreco or where Nutreco owns 50% or more. Acquisitions are included when they have become part of Nutreco before 31 December 2006. Divestments during 2006 are not included. Though not reported on, companies where Nutreco has less than 50% ownership but does have operational or managerial control are obliged to adhere to Nutreco policies.

Statistics on social data reported, such as number of employees, relate to all Nutreco sites. Environmental parameters, such as use of raw materials, are calculated from the data supplied by the production sites of Nutreco. This report does not contain environmental information on the activities of Euribrid, the Nutreco breeding activity, as it was scheduled for sale in the first half of 2007. However, the data relating to Nutreco employees does include Euribrid, as they were part of Nutreco at 31 December 2006.

The data is checked, collated and analysed by Nutreco management.

This report and the data that will be published on the Nutreco website, www.nutreco.com, have been prepared to qualify for level C of the current guidelines of the Global Reporting Initiative (GRI). The report is subject to partial verification by KPMG Sustainability, as described on page 54.

In addition, a number of the criteria for level B qualification are met. A GRI index and Application Level Grid on pages 58–60 list the performance indicators that are reported.

The symbols in the report indicate relevance to one of the Millennium Development Goals. The references are collated in a table on page 61.

Nutreco Holding N.V.
Prins Frederiklaan 4
P.O. box 299
3800 AG Amersfoort
The Netherlands
tel. (31) 33 422 6100
fax (31) 33 422 6101
www.nutreco.com