

Report of the Supervisory Board

Supervisory Board activities

An important topic during the year under review was the updating of the *route2020* strategy, which was discussed in virtually every Supervisory Board meeting and which the Supervisory Board brought into force in December. During the year under review the Executive Board reported to the Supervisory Board regarding the principals adhered to while updating the strategy and the choices that had been made. A number of specific topics were looked at in depth, such as the selected growth areas, the M&A strategy, progress and further plans in the field of digital marketing and customer relations, and the innovation agenda. Other issues discussed were measures to achieve further cost efficiency, the ambition and progress in the field of sustainability, the capacities of the employees required for the execution of the strategy, risks coupled with the strategy and the *Compass* compliance programme. The financial implications of the strategic choices were also discussed in depth.

The extensive discussions regarding financing included the Company's reserves policy and its financing for the coming three years. The issuing of several financing instruments was also approved by the Supervisory Board.

Progress in the area of safety was discussed throughout the year. The Supervisory Board is delighted about the continuing reduction in the number of accidents. Other issues discussed included plans to improve the efficiency of the supply chain activities, the development of the capacity for processing member milk and the milk supply. Discussions in respect of the Summit project included cost development. The Board emphasised the importance of adjusting the organisation to the amended reporting system in order for the new automation system to be utilised to the full. On-going acquisition projects were discussed and the Board approved the acquisition of Fabrelac B.V.B.A. in Belgium, which has since been completed. Other larger acquisitions completed during the year under review had already been approved by the Board. In general the Board asked for focus in the acquisition policy and for attention to be paid to the expansion of existing market positions. The Board was also informed about the progress of the larger investment projects and approved the expansion of the packaging capacity of FrieslandCampina Ingredients in Beilen (Netherlands). Specific operating activities were also discussed and presentations about the progress of their companies were given by the managements of FrieslandCampina in Germany and China.

The Company's results were reported by the Management each quarter and discussed by the Supervisory Board, as were the findings of the Audit Committee. In February the financial statements for 2014 and the text of the annual report were discussed with the Executive Board and the external auditor and approved by the Supervisory Board. The external auditor explained and discussed with the Management the report on his findings regarding the first half year and the management letter. The report and letter did not contain any points of attention of a material nature. In December 2015 the Supervisory Board approved the budget for 2016.

In September 2015 the Supervisory Board visited FrieslandCampina's companies in the United Arab Emirates and Saudi Arabia. In October 2015 the Board paid a working visit to FrieslandCampina Belgium in Aalter. At all the facilities attention was paid to the results and strategic plans of the companies concerned.

Topics such as remuneration, the composition of the Executive Board and Supervisory Board, diversity, talent management and succession plans as well as the functioning of the various bodies within the Company were discussed, when appropriate in the absence of the Executive Board members.

The Supervisory Board met seven times during the year under review. The attendance of members was virtually 100 percent. In addition to the regular meetings there was also contact between the Supervisory Board members and with members of the Executive Board.

Supervisory Board Committees

The Supervisory Board has formed two committees, the Audit Committee and the Remuneration & Appointment Committee, to advise them and prepare their decisions in respect of specific tasks.

Audit Committee

The annual report and the financial statements for 2014 were discussed in depth, as was the report of the external auditor regarding the financial statements and the declaration of the Executive Board included in the annual report. When discussing the Company's results, annual report and half-yearly report, the Audit Committee focuses primarily on the more technical aspects of the reporting.

The planned tasks of the external auditor, the selection of the entities involved in the audit and the audit material to be handled were discussed on the basis of the audit plan approved by the Audit Committee. The 2015 half-yearly report and the external auditor's findings regarding the half-yearly report and interim audit findings were also discussed in depth. The list of additional tasks assigned to the external auditor was evaluated by the Audit Committee four times during the year under review and the Audit Committee's opinion was that the independence of the auditor was also safeguarded. The service provided by and the remuneration of the external auditor were evaluated.

During meetings of the Audit Committee a number of managers (Internal Audit, Internal Control, Enterprise Risk Management, Treasury, ICT, Tax) reported to the Audit Committee on a regular basis regarding their activities. Every year the Audit Committee discusses and approves the internal auditor's planned activities. The findings of the internal auditor and the following-up of previous findings were discussed during every meeting. Tax aspects in the different countries were discussed and attention was paid to topics such as the effective tax rate. The Audit Committee was also informed regarding the functioning of the Internal Control Framework and the analysis of the division of tasks. The outcome of the analysis of the most important operating risks and the actions being taken to mitigate these risks were reported. The Audit Committee was also informed regarding the strategic goals of the finance function. Specific accounting topics discussed were the presentation of the income statement by cost function, the way in which the Company values its inventories, the presentation of the cash flow statement and corporation tax.



Queen Máxima visits FrieslandCampina

At the beginning of September Queen Máxima visited the Stokman family's dairy farm in Koudum, one of FrieslandCampina's member dairy farms, and the FrieslandCampina production facility in Workum (both in the Netherlands). The reason behind the visit was the King Willem I Prize that FrieslandCampina received in 2014. It is customary that the winning company is visited a year later.

Sustainability and innovative strength were important factors for winning the prize. At the Stokman family's farm 300 cows are kept in a sustainable way. Queen Máxima's conversation with the Stokman family included sustainability, biodiversity and the abolition of the milk quota within the EU. She was also given a guided tour of the farm before visiting the cheese and whey production facility in Workum. Here, too, there was a focus on sustainability. The water released during whey production is reused, which saves energy.

In the ICT field the Audit Committee was informed regarding the improvements to be implemented in the area of industrial automation and the progress of the Summit project was discussed during every meeting; attention was paid to risk management, cost development and the quality of the implementation process.

An overview of material claims was discussed and the management reported to the Audit Committee regarding compliance with the FrieslandCampina Code of Conduct, including preparations for the roll-out of the revised Code of Conduct under the name *Compass*.

In addition, the Company's financing plan was discussed and the Audit Committee was updated regarding the composition and relevant financial and governance aspects of the investment portfolio.

During the year under review the Audit Committee met four times in the presence of the Management and the external auditor. In addition to these meetings the members of the Audit Committee were in contact with each other and with the management on various occasions. After every meeting the findings of the Audit Committee were reported to the Supervisory Board by the Committee's Chairman. The Audit Committee also had two meetings with the external auditor in the absence of the Executive Management. In 2014 PricewaterhouseCoopers N.V. (PwC) was selected to be charged with the audit of the Company's annual financial statements as of the 2016 financial year. With a view to ensuring a smooth transfer of the audit tasks, since August 2015 the responsible PwC audit partner and engagement partner have attended the meetings of the Audit Committee as observers.

In February 2016 the annual report and financial statements for 2015 were discussed, as was the external auditor's report regarding the financial statements and the Executive Board's responsibility statement as included in the annual report.

Remuneration & Appointment Committee

During the year under review the Remuneration & Appointment Committee paid considerable attention to the composition of the Executive Board. The Committee made the preparations for the appointment of the new CEO by the Supervisory Board and advised the Supervisory Board regarding the appointment of the Executive Director charged with responsibility for the Ingredients business group. In this context discussions were also held with the candidates for the vacant functions. The Committee also advised the Board regarding the appointment of an Executive Director responsible for the new Consumer Products China business group and about reappointments within the Supervisory Board.



'Ask the Campina farmer' in one hundred Albert Heijn shops

On Saturday 7 November 2015 100 FrieslandCampina member dairy farmers were in different Albert Heijn shops to offer shoppers tasters of Campina products and to answer all kinds of questions. According to FrieslandCampina member dairy farmer Maurice Hanegraaf: "People are really interested in hearing and seeing how a dairy farm works. People in our neighbourhood and school classes come and see us quite often, but it's just as nice, and important, for us to go to see the consumers in the shops and tell them about the route from the cow to their dairy product." This action was part of Campina's 'Ask the Campina farmer' campaign.

The Committee also made preparations for the evaluation of the Executive Board and the Supervisory Board. During the year under review evaluation discussions were held with the members of the Executive Board and reported in the Supervisory Board meetings. Evaluation discussions were also held with the members of the Supervisory Board regarding their functioning and the functioning of the Supervisory Board and its Committees. The outcome of these discussions were reported to and discussed with the Supervisory Board. Both the functioning of the Board and the cooperation with the Executive Board were once again deemed to be excellent. Attention points, such as specific meeting topics and the further deepening of the knowledge of one or more Board members in respect of areas of relevance to the Company, were followed up during the year under review.

During the year under review the Remuneration & Appointment Committee's activities included the remuneration of the Executive Board. Items discussed included issues such as the determination of the variable salary and the fixing of targets for the short- and long-term variable salary for the coming year or three years respectively. The amendments to the pension plan for Dutch employees and therefore also for the Dutch members of the Executive Board that had been decided during the previous financial year were evaluated and it was judged that the current interim plan is in line with the practice that has, in the meantime, been implemented by other large Dutch companies. In April 2015 the details of the remuneration of the members of the Executive Board and the Supervisory Board were reported to the Member Council of Zuivelcoöperatie FrieslandCampina U.A.

The Remuneration & Appointment Committee met four times during the year under review and after each meeting reported to the Supervisory Board. There was also contact between the members of the Committee and with the management at other times.

Composition of the Supervisory Board, Committees and Executive Board

The composition of the Supervisory Board and its Committees as at 26 February 2016 is stated on pages 156 to 159.

Supervisory Board

During the year under review the composition of the Supervisory Board changed.

As of 1 May 2015 René Hooft Graafland was appointed as the successor of Henk Scheffers, who was a member of the Supervisory Board until 16 December 2014 and who was not available for reappointment. René Hooft Graafland, like Chairman Ben van der Veer, qualifies as a 'financial expert' in the sense of the Supervisory Board regulations.

As of 15 December 2015 Jan Keijsers, Peter Elverding, Tex Gunning and Hans Stöcker were reappointed as members of the Supervisory Board and Bert ten Doeschot was appointed as a member of the Supervisory Board. Jan Keijsers was reappointed for a term of two years, the remainder were appointed for a term of four years. Bert ten Doeschot was appointed to fill the vacancy that arose due to the resignation of Sjoerd Galema as of 24 March 2015.

FrieslandCampina's Supervisory Board currently comprises thirteen members. Nine of the members are members of the Board of Zuivelcoöperatie FrieslandCampina U.A. and the remaining members are external Supervisory Board members. All the external members of the Board (the members who are not also members of the Board of the Cooperative) are independent of the Company as stipulated in the Dutch Corporate Governance Code and the Supervisory Board regulations.

Diversity of the Supervisory Board

FrieslandCampina strives for a composition of its Supervisory Board that is balanced and in which the combination of the members' experience, expertise and independence ensures the Supervisory Board can fulfil its various duties on behalf of the Company and its stakeholders in the best possible way. FrieslandCampina also strives for a balanced participation of men and women in the Supervisory Board with at least 30 percent of the members being female.

Two of the internal members of the Supervisory Board are female. This means that the representation of the Cooperative's female members (15 percent) is guaranteed. In 2015 four male Supervisory Board members were reappointed and one male Board member was appointed. The goal of a balanced participation of women and men was taken into consideration in respect of these appointments. The next time a vacancy arises, the search criteria specified by the Remuneration & Appointment Committee will once again emphasise the wish that the candidates should be female.

Committees

Remuneration & Appointment Committee

The composition of the Remuneration & Appointment Committee did not change during the year under review.

Audit Committee

The composition of the Audit Committee changed with the resignation of Henk Scheffers (December 2014) and the appointment of René Hooft Graafland (May 2015). Both Ben van der Veer (Chairman) and René Hooft Graafland qualify as a 'financial expert' in the sense of the Supervisory Board regulations. The Audit Committee also includes two internal Supervisory Board members and other internal Board members attend the meetings of the Audit Committee as observers on a rota basis.

Executive Board

The composition of the Executive Board changed in 2015. Bas van den Berg was appointed Executive Director of the Cheese, Butter & Milkpowder business group as of 1 January 2015; he was then appointed Chief Operating Officer and member of the Executive Board as of 1 November 2015. Cees 't Hart resigned as of 1 June 2015 after a period of seven years as CEO of FrieslandCampina. After the merger at the end of 2008 Cees, in an inspiring way, led the integration of Friesland Foods and Campina, the determination of the Company's strategic course and the development of the organisation. Throughout his time with FrieslandCampina he played a very important and unifying role. The Supervisory Board is extremely grateful to Cees 't Hart for what he has achieved and the way he has achieved it. Cees 't Hart was succeeded as CEO by Roelof Joosten on 1 June 2015. Tine Snels was appointed Executive Director of the Ingredients business group as of 1 June 2015. She participates in the meetings of the Executive Board but is not a formal member of the Executive Board. Tine Snels reports to Roelof Joosten, who has formal responsibility for the Ingredients business group within the Executive Board. Kees Gielen, Chief Operating Officer business development, resigned as of 31 December 2015. Kees Gielen was CFO of FrieslandCampina from 2009 to 2014. As ad interim CEO and CFO of Campina, Kees Gielen played a major role in the realisation of the merger between Friesland Foods and Campina. Under his leadership the financial organisation and administrative processes were greatly improved in the period after the merger. The Supervisory Board owes Kees a considerable debt of gratitude for his dedication and contribution.

As of 1 January 2016 the Executive Board comprises five members. The full composition and portfolio division of the Executive Board is shown on pages 160 and 161.

Diversity of the Executive Board

FrieslandCampina strives for a balanced composition of the Executive Board including the balanced participation of men and women. This means that at least 30 percent of the Executive Board members should be women. Currently all the members of the Executive Board are men. It can, however, be mentioned that since 1 June 2015 Tine Snels has participated in the meetings of the Executive Board as Executive Director responsible for the Ingredients business group. For following vacancies the Remuneration & Appointment will expressly involve female candidates in the recruitment and selection process. As, in general, the preference is to recruit internal candidates, it is important that sufficient female candidates are available in the ranks under the Executive Board. FrieslandCampina implements a diversity policy that is aimed at increasing the number of women in these levels in the organisation.

Financial statements and appropriation of profit

During the Supervisory Board meeting of 26 February 2016 the Supervisory Board members and the Executive Board members discussed and signed the financial statements. The financial statements were audited by KPMG Accountants N.V., which then issued an unqualified auditor's report. The financial statements will be submitted to the General Meeting of Shareholders for adoption on 13 April 2016.

From the profit of 343 million euro, 73 million euro is attributable to non-controlling interests and 218 million euro has been added to retained earnings. The remaining profit will be appropriated as follows: 42 million euro will be reserved as interest payment for the holders of member bonds and 10 million euro will be reserved as interest payment for the loan from the Cooperative to the Company.

During the General Meeting of Shareholders it will be proposed that the members of the Executive Board be discharged for their management during the 2015 financial year and that the members of the Supervisory Board be discharged for their supervision of the Executive Board during 2015.

On 13 April 2016 the Member Council of Zuivelcoöperatie FrieslandCampina U.A. will be asked to approve the decision of the Cooperative's Board, which exercises the Cooperative's rights as shareholder and in this way functions as the General Meeting of Shareholders, to adopt the 2015 financial statements of Royal FrieslandCampina N.V. and approve the appropriation of profit.

Supervisory Board

Amersfoort (Netherlands), 26 February 2016

Supervisory Board appointment and resignation roster (as at 16 December 2015)

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
P. Boer	<				◇				>			
J.W. Addink-Berendsen			>				>				<	
B.E.G. ten Doeschot				>				>				<
P.A.F.W. Elverding				<				◇				>
L.W. Gunning				>				<				◇
D.R. Hoofst Graafland			>				>				<	
A.A.M. Huijben-Pijnenburg			>				<				◇	
J.P.C. Keijsers		<				◇				>		
F.A.M. Keurentjes			<				◇				>	
S.R.F. Ruiter	<				◇				>			
H. Stöcker				>				<				◇
B. van der Veer		>				<				◇		
W.M. Wunnekink		>				<				◇		

- > resigns, eligible for reappointment
- < resigns, not eligible for reappointment
- ◇ successor of current member resigns, eligible for reappointment