



CORPORATE SOCIAL RESPONSIBILITY CODE OF CONDUCT OF THE EUROPEAN SUGAR INDUSTRY

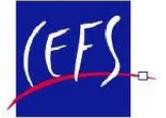
10th implementation report (2012)

Executive Summary

I - The economic and political landscape

CAP REFORM: EU Sugar Social Partners CEFS and EFFAT support the extension of the Single CMO for sugar until 2020. Beet sugar is produced in 18 Member States by 106 factories, supporting 160,000 beet growers and 180,000 direct and indirect jobs and has a particularly positive impact on rural communities where there are often few alternatives for decent employment. EU sugar also features a significant network of sugar beet research and development (R&D) activities, with research centres in 13 EU countries employing over 150 highly-skilled food and agriculture scientists. At a time of considerable economic and social uncertainty, it guarantees decent employment, environmental sustainability and reliable sugar supplies at sustainable prices for farmers, processors, suppliers, workers and consumers. Its exemplary contractual framework ensures a fair standard of living for the agricultural community. The current CMO is a guarantee for access to a reliable, stable sugar supply and a buffer against excessive world price swings and shields the EU from excessive sugar market volatility. The EU sugar sector has been through a major restructure since the 2006 reforms and 83 factories – almost one in two – have closed. More than 22,000 direct jobs have been lost and more than 150,000 farmers have ended beet cultivation. Nonetheless, both the EU and ACP/LDC countries are committed to a more competitive sugar sector and are making considerable investments to improve their core business and diversify.

EU EXTERNAL TRADE POLICY: Social Partners CEFS and EFFAT hold that the EU Commission should not allow additional sugar duty free imports and trade concessions in bilateral free trade agreements. They request that sugar and sugar products remain completely excluded from any further concessions; that no duty-free tariff-rate quota (TRQ) should be granted and ask for a full, consistent implementation of the rules of origin provisions as per the GSP system. Any additional concessions to third countries will prompt further de-industrialisation in the EU and job losses that the sector and the social fabric of the EU cannot bear. In addition, those concessions would undermine supply stability and the welfare of its value chain actors, also harming the export capacity of the ACP/LDC sugar industries. Free trade agreements between the EU and Central America and with Colombia/Peru will enter into force in 2013, pending ratification, entailing a zero duty tariff for 276 000 tonnes of sugar and sugar products plus an annual increase in percentage. Such a provision is already deeply destabilising for the EU market, while the EU Commission is currently negotiating bilateral trade agreements with Canada, India, Ukraine, Georgia, Moldova, Armenia Vietnam, Malaysia, Mercosur and is launching negotiations with the USA and Thailand. All these negotiations include sugar and sugar-related reciprocal market access talks. Brazil and Thailand are the first and the second world largest sugar exporters worldwide, whereas Canada is asking to benefit from exceptions that were designed for developing countries, which is not acceptable. Further trade concessions in sugar and sugar products would not only entail serious dangers of destabilisation for the EU sugar market and undermine supply stability and the welfare of its value chain actors, but would also harm the export capacity of the ACP/LDC sugar industry, working at odds with the EU's development policy and the Europe 2020 Agenda for smart, sustainable and inclusive growth.



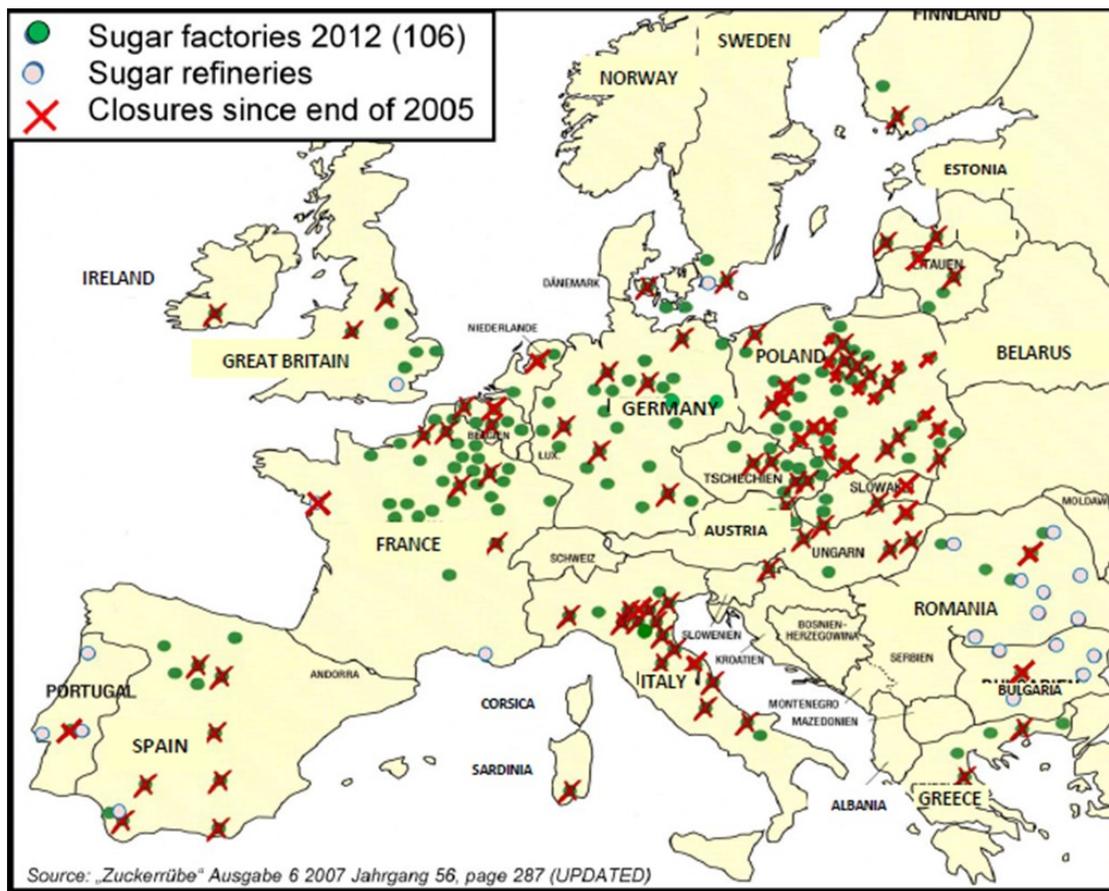
FAIR AND GREEN GROWTH: CEFS and EFFAT insist that the increasing exposure to international competition needs to be complemented by a level-playing field in order to avoid that imported goods with lower environmental credentials progressively replace EU-made bio-based products. Exports from third countries should compete with EU products under comparable social and environmental sustainability requirements. Failing to do so sends the dangerous signal to other EU industries that investing in social and environmental responsibility, as the EU sugar industry does, does not pay and is not considered as a strategic factor when it comes to EU trade and industrial policy, an approach which flies in the face of the entire *Europe 2020* strategy. CEFS and EFFAT consider that the European Commission should develop a coherent policy framework for European bioeconomy sectors able to secure consistency among policies such as competitiveness, employment, energy, agriculture, food and feed, trade, environment and climate change and research and innovation.

FOOD TAXES: EFFAT and CEFS concur that a holistic approach based on science – rather than the mere taxation of food and food ingredients deemed unhealthy, among which sugar and sugary products, is the way to go to effectively tackle diet-related non-communicable diseases such as diabetes and obesity. In particular, CEFS holds that food taxes are disproportionate and ineffective, and lead to discrimination between products. EFFAT and CEFS stress that it is not just food, but lifestyle, social conditions and education that contribute to healthy eating habits. EFFAT and CEFS therefore call on the EU food and drink industry to take responsibility to become a leader in the provision to EU consumers of a variety of nutritious and affordable food and drink products, based on scientific evidence, in order for them to be able to follow a balanced diet that suits their dietary needs; and calls on the EU to remove the economic, barriers to access to better nutrition and active lifestyles, among which are households' low-incomes due to precarious working conditions and low wages.

II – Management of restructuring and the economic crisis

EVOLUTION IN THE NUMBER OF FACTORIES AND JOBS: 83 factories have disappeared between 2005/06 and 2011/12 in the EU27 (i.e. 44% of factories since the start of the reform), leading to the loss of 22,012 direct jobs (44%). In the sugar industry one direct job generates five indirect full-time or part-time jobs (transport, logistics, IT, etc.). About 110,000 indirect jobs have therefore been affected to date. Between 2006/07 and 2009/10 (4 marketing years), 5,230,331 tonnes of quota sugar were relinquished, along with 222,316 tonnes of isoglucose and 320,717 tonnes of inulin, i.e. a total of 5,773,364 tonnes.

PENDING RESTRUCTURING ISSUES: CEFS and EFFAT - along with Italian trade unions and sugar companies and the Italian Government - fully support the reconversion of the silos of the 15 (out of 19) sugar factories shut down in Italy to alternative uses (i.e. storage, logistics). They demand a positive, swift resolution of the issue given the significant number of jobs attached to their use; given the fact that it makes environmental sense to reconvert them; and because the negotiations held by national social partners over their reconversion plans were conducted in an exemplary, socially responsible way. The Italian National Court has accepted the social partners' interpretation of Reg. 320/2006/CE while a final decision from the European Court of Justice is now due.



III – Implementation of the Code of Conduct in 2012

GOOD PRACTICES IDENTIFIED IN 2012: health and safety, traineeships and apprenticeships continue to be a key focus for the EU sugar industry. Agrana in the Czech Republic is actively participating in the creation of a national system of positions and qualifications where sugar industry employment profiles would be part of. Additionally, they also cooperate with secondary technical schools in order to prepare students for future apprenticeships and increase the attractiveness of the sugar industry among future graduates. Nordzucker AG in Germany introduced a company-wide incentive for healthy eating consisting of the provision of free fresh fruit in all factories and company offices. Besides, it is implementing health and safety programmes for its employees covering flu vaccination, safe driving training and skin cancer screening.

HOW IS THE ANNUAL CSR CODE IMPLEMENTATION REPORT PREPARED AND ADOPTED?:

In September/October, CEFS and EFFAT Secretariats carry out a membership consultation on the implementation of the CSR Code of Conduct, mainly through an agreed questionnaire covering the 8 minimum standards contained in the Code of Conduct. Once the feedback is received, the CEFS and EFFAT Secretariats compare and contrast the information and complete the consultation with parties if needed. A small working group may be convened within the end of the year to assess progress. The draft report is circulated among the respective memberships for comments and adopted in the plenary meeting of the Social Dialogue. The purposes of the report include the exploration of issues of common interest to social partners, the dissemination and promotion of best practices and the creation of constructive dialogue and cooperation necessary to confront the current and emerging challenges of the sector.

IMPLEMENTATION OF THE SD SUGAR INDUSTRY WORK PROGRAMME IN 2012:

- EFFAT and CEFS organised a lunch debate at the European Parliament that took place on 7th November 2012. The public debate brought together EU workers' unions (EFFAT) and sugar producers (CEFS) as well as beet farmers (CIBE) and the African, Caribbean and Pacific (ACP) Group to issue a joint call for an extension of the CMO for sugar until 2020.
- Partners invited Jorge Chullén, IUF Global Sugar Coordinator, to their SD Plenary Committee 2013 to explore the EU sugar protocol programme and its social impact on ACP countries.
- Partners included the issue of demographic analysis of the industry in their Work Programme 2013, including the issue of gender breakdown. CEFS has already carried out some preliminary data collection in this field during 2012 and this will serve as a support for future joint work in this area during 2013.
- Partners circulated the 2004 EU social partners BUSINESSEUROPE, UAPME and CEEP framework agreement on work-related stress and the compendium of the initiatives taken by social partners for the implementation of the agreement, compiled by the EU Commission in 2011 among their respective affiliates and called upon them to identify and share initiatives in this field that could be disseminated. However, neither the CEFS nor the EFFAT Secretariats received concrete feedback on this topic, which led them to the conclusion that no specific initiatives are found on the ground yet. As a result, the EFFAT and CEFS Secretariat agreed to invite Mr. Claude Emmanuel Triomphe, an expert in the field of psycho social risks at the workplace as a result of restructuring to hold a session to familiarise social partners with the issue and encourage them to incorporate it in their Health and Safety committee discussions at the workplace.