

Business and biodiversity

Current Situation

Over the past 50 years, the global population has doubled and the global economy has grown sixfold. This expansion demands more from nature than she can give without suffering herself. We are carving up and destroying natural habitats for the sake of our transport, industry and agriculture. The pollution we emit is soaring to levels far greater than nature is able to cope with. In addition, climate change is threatening many species and ecosystems unable to adapt to the new conditions, with the consequence that 40 % of all species is threatened from extinction. This also represents a long-term threat to the economy!

The economy needs intact ecosystems – Proactive commitment by companies

The loss of biodiversity weakens our ecosystems, which is simply the interaction of animals and plants with their natural habitats – a process that is often not immediately detectable. Sooner or later, a system subjected to disruption on this scale is likely to collapse altogether.

Biodiversity provides us with commodities that we can use directly, such as raw materials for food or wood for energy generation, and the genetic diversity of nature, which is also the cornerstone of many of our drugs – to name but one useful example. The 11 or so per cent of the earth's landmass where biodiversity is still relatively high supply us with around 4.4 to 5.2 billion dollars' worth of output alone, more than the total sales of every automotive, steel and IT company in the world. The diversity of ecosystems on land and water plays a part in stabilising the climate. Forests and moorland, for example, store water and carbon dioxide, while savannah grasslands prevent desertification and coral reefs mitigate the severity of flooding. Around 71 % of our planet are oceans, which provide us with plentiful vital raw materials. Over one billion people rely on fish and seafood as their source of protein.

On the one hand, the economy needs raw materials, drives ahead soil sealing and consumes natural resources. Production processes emit pollutants into the air, water and earth. Yet the economy is reliant on intact ecosystems.

HiPP protects biodiversity

Agriculture accounts for around 50 % of Germany's total area from which as little as 6 % are organic. HiPP relies on organic farming, which uses natural methods to protect the environment. Grasslands bind carbon in the soil, while crop rotation improves soil health and produce quality. As a baby food producer, HiPP depends on extra high-quality raw materials.



Extensive quality tests are carried out during the entire cultivation and processing procedures for HiPP baby food – it starts already with the farming

It is hard to place a value on nature: The fact is that plant and animal death is still going on. The international community of states have failed to achieve their goal of mitigating biodiversity losses by 2010.

For this reasons the company has declared protection of biodiversity to be a top priority. In recent years HiPP has undertaken numerous actions that contribute to preserving the diversity of species, focusing on Ehrensberger Hof as a biodiversity research farm.

HiPP has sought out allies to support it in this commitment, which necessarily extends far beyond the bounds of the company itself. The baby food manufacturer is a member of the international corporate initiative 'Biodiversity in Good Company', dedicated to preserving the diversity of species, and has worked together with the Association of Ecological Food Producers (AÖL) to found a project in 2013, which is supported by the Deutsche Umweltstiftung (DBU), a private foundation for the protection of the environment.

All companies participating in the 'Biodiversity in Good Company' initiative are overtaking special responsibility for the protection and sustainable use of biodiversity in dialogue with politicians and society.

The extensive range of projects in this context and the substance of the work performed, frequently in the form of project partnerships with governmental and non-governmental organisations and scientists, are presented in progress reports. The following report by HiPP refers to the binding seven Commitments listed in the 'Biodiversity in Good Company' Initiative Leadership Declaration.

The Leadership Declaration:

All signatory companies acknowledge and support the three objectives of the international "Convention on Biological Diversity":

- Conservation of biological diversity
- Sustainable use of its components
- Fair and equitable sharing of the benefits that arise out of the utilization of genetic resources

and commit themselves to:

1. Analysing corporate activities with regard to their impacts on biological diversity;
2. Including the protection of biological diversity within their environmental management system;
3. Appointing a responsible individual within the company to steer all activities in the biodiversity sector and report to the Management Board;
4. Defining realistic, measurable objectives that are monitored and adjusted every two to three years;
5. Publishing activities and achievements in the biodiversity sector in the company's annual, environmental, and/or corporate social responsibility report;
6. Informing suppliers about the company's biodiversity objectives and integrating suppliers accordingly and step by step;
7. Exploring the potential for cooperation with scientific institutions, non-governmental organizations (NGOs) and/or governmental institutions with the aim of deepening dialogue and continuously improving the corporate management system vis-à-vis the biodiversity domain.

Measures taken by HiPP in accordance with the Leadership Declaration:

1. Analysis of corporate activities with regard to their impacts on biological diversity

HiPP's sustainability management system includes biodiversity as a separate corporate department. Thus, there is a responsible person for biodiversity, whereby the protection of biodiversity is been defined as a specific key objective within the HiPP Mission Statement. Therefore, analyses and evaluations of the impacts of HiPP's operations on biodiversity are conducted ongoing.

Still there are no standardised methods or binding indicators for evaluating biodiversity, HiPP's sustainability team tackled the challenge of developing and testing their own practice-based system and approach. HiPP based its analysis on the Biodiversity Management Manual, the GRI Standards and the impact factors developed in collaboration with NGOs (LBV Bavaria /NABU, Bioland, University of Hanover, TU Munic) in practical projects.

Based on a questionnaire addressed to producers and suppliers, not only the status quo has been determined but targeted audit matters have been generated and incorporated in a specific management software tool, making the linkage between information on sustainability and master data, as well as quality and release data, possible.

Hence, it is a long-term objective to develop a defined set of indicators allowing to evaluate the activities and efforts of HiPP's contractual partners and, furthermore, to integrate those parameters as binding within the HiPP management system.

HiPP's commitment to the protection and promotion of biodiversity evinces by numerous activities by the company. One long-term goal is to develop key performance indicators, which will recognise products from 'biodiversity-friendly' production operations.

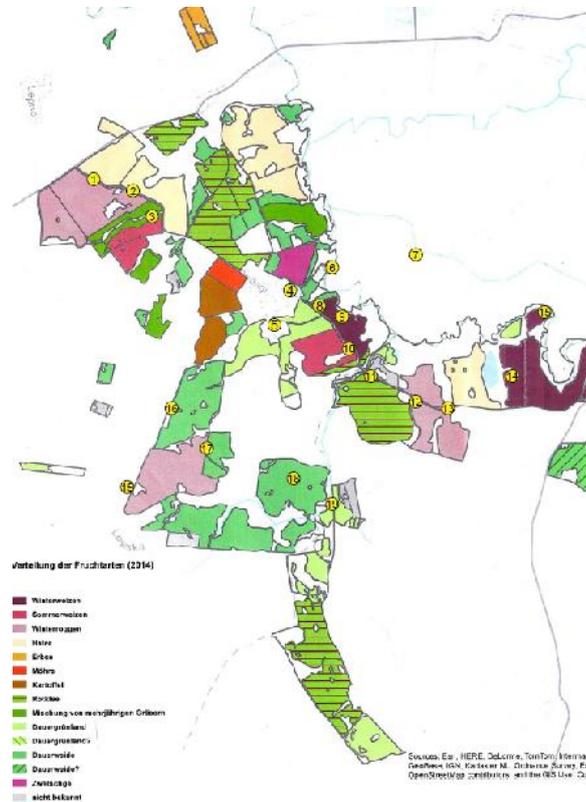
The company bases its activities on the following eight action areas:

1) Agricultural production

HiPP as a food manufacturer has its main sphere of influence in agricultural production.

- The selection of raw materials, which we source from organic farming operations to benefit nature and our young consumers, plays a central role in quality assurance and environmental protection. Today HiPP is one of the world's largest processors of organic produce and works with over 8.000 contracted farmers, who avoid soils from artificial fertilisers and pesticides.
- At its model farm (Ehrensberger Hof), HiPP tests environmental and conservation measures to improve biodiversity. Since the year 2009 the company works with scientists and conservation associations on trialling methods of integrating sustainability and preserving biodiversity in routine agricultural operations over the long term. Its goal is to develop a practice-based model that can be used to the producer's operations.
- HiPP started to offer tours of model farm for students and school classes in 2012; these tours enable our grownups to gain hands-on experience of the theme of biodiversity. Thereby nearly one hundred groups gained insight in the topic by the end of 2014.

- In 2014, HiPP set up a research to evaluate the status of biodiversity on the farm of Stefan Hipp within the scope of a joint project of HiPP, NABU, Leibniz University Hanover and the Bavarian Bird Protection Society (LBV). The results made clear, that Biodiversity teeters on a very high level, especially concerning the variety of wild beards in the area.



- HiPP imports organic bananas from a fair-trade project in Costa Rica. The fruits grow directly in the rainforest without the use of pesticides, which both enhances the quality of the bananas and benefits many species of flora and fauna – as well as the workers themselves.



Organic bananas from a fair-trade project in Costa Rica.

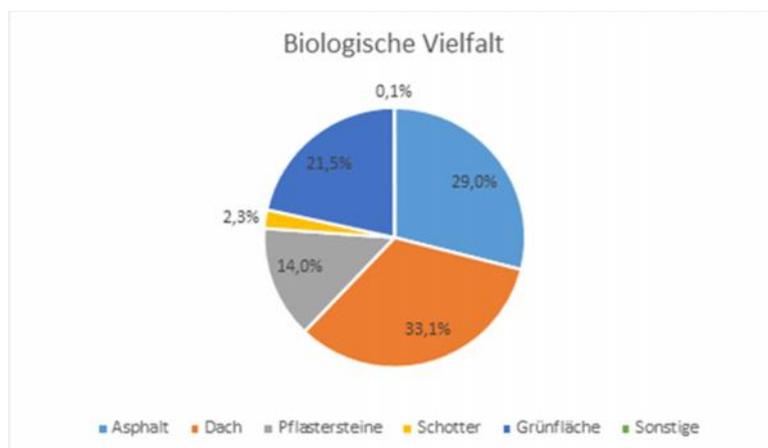
2) Supply chain

- HiPP is proceeding with targeted supplier management to identify opportunities and minimise risks, as a major contribution to protecting biodiversity.

- Within the framework of audits, which HiPP regularly conducts on site at its suppliers' premises, quality, ecological and social standards applied by the suppliers are reviewed. Over the medium term the company plans to launch a special data acquisition system in which all relevant criteria concerning corporate parameters, raw materials, quality, sustainable and biodiversity-friendly farming and processing can be linked for each individual production batch. Life cycle assessment data also plays a key role; overall evaluation of this data identifies valuable approaches to continuing positive development for both HiPP and its contractual partners.
- Together with the University of Hanover, HiPP conducted a scientific study surveying biodiversity activities of HiPP suppliers and producers. On this basis, questions on biodiversity have added to supplier audits and to the digital vendor management.
- Under the EMAS and ISO 14001 certified environmental management systems, HiPP has defined clear goals for implementing continuous improvement in its environmental performance. All corporate agreements and contracts include an environmental, social and ethical code, aiming that suppliers and business partners comply with them. For HiPP, continuous long-term and trust-based business relationships not only ensure the quality and availability of raw materials, but also foster protection of the environment and biodiversity.

3) Company premises

- Biodiversity in the company grounds is supported by planting native species of tree and natural-flower meadows, creating nesting habitats and regularly holding bird counts in the grounds, focusing on endangered Red List species.
- In 2014, HiPP has been participating in the "Naturwert-Studie", a trial of the Institut für Wirtschaftsförderung (IÖW), a non-profit organization for business development. Within the trial, premises were analysed regarding their shaping in harmony with nature. According to their findings, the biodiversity management at HiPP's premises was excellent and there seemed to be only little improvement possibilities.
- Plans provide for increasing the proportion of green areas in the HiPP company grounds and avoiding soil sealing wherever possible, therefore each
- Building project will be analysed for its potential resource savings.
- Fishes in a cooling water basin at HiPP are an environmentally friendly method of removing algae. Thereby exhausting cleaning procedures several times per year are no longer needed.



HiPP Sustainability Report, p. 22, Proportioning of the sealed soils

4) Company / Production

- The proportion of MSC-certified fish used in HiPP's production operations and staff catering has increased from 30 % in 2009 to 100 % in 2012. Target is, to maintain this margin on the long term.
- To protect the climate, solar, hydro- and biomass power from regenerative sources are used and 97 % of waste are recycled. In addition to saving resources continuously, this process has led to slash the specific energy consumption by almost 50 % over the past ten years. In Germany, Austria and Hungary the production operations are fully carbon-neutral already, thanks to HiPP's involvement in activities including global climate protection projects. In 2011, HiPP was honoured with the German Solar Prize for its extensive use of renewable energies.
- HiPP is committed to protesting against genetic modification as a technology involving unforeseeable consequences for nature and people, which endangers biodiversity by focusing on monocultures. The company provided funding to provide the documentary 'Leben außer Kontrolle' (Life running out of control) to schools, and supports a seed bank for the cultivation of heirloom plant varieties.

5) Staff

- Regular, yearly, training courses explore the importance of biodiversity to HiPP staff and let them learn more about its background. Environmental Days are held at which all members of staff, particularly trainees, plant trees, dig ponds for amphibious animals or create habitats for endangered species of birds.
- The Staff is currently informed about HiPP biodiversity projects on the Intranet and in other forms of media.

6) Product packaging

- To combat rainforest deforestation, HiPP uses only recycled or FSC paper and packaging. To further ease the burden on the environment, HiPP uses mineral-oil-free printing inks based on vegetable oil for the majority of its packaging.
- HiPP 's clear glass jars contain up to 60 % recycled glass, and its brown glass jars up to 75 %.
- Paper and cardboard packaging can be recycled (based on the assumption that customers practise recycling!).

7) Logistics

- HiPP reduces carbon emissions by using vehicles, which comply with the most recent EU standards.
- HiPP offers regular driving courses that teach fuel-saving driving methods to reduce mechanical wear and tear and avoid accidents.
- Increased use of central warehouses and reusable palettes, as well as the use of rail transport, lowers the environmental impact of goods transport.
- Savings have been made in transport packaging
 - Use of biodegradable filler materials and recyclable cartons
 - Savings in packaging materials such as stretch wrap film

8) Consumers

- HiPP informs customers and consumers about all its biodiversity projects on the Internet <http://www.hipp.de/ueber-hipp/nachhaltigkeit/biologische-vielfalt/> and via regular publications in internet fora.
- In 2013, HiPP cooperated with the German forest protection association Schutzgemeinschaft Deutscher Wald e.V. in the project 'Ein Baum für Ihr Baby' (a tree for your baby). In this campaign, HiPP plants deciduous trees in Germany and Austria to transform regions of low biodiversity into species-rich mixed forests. This increases biodiversity and improves water storage characteristics while also protecting the climate. On average, mixed forests store 80 litres of water more per square metre and year than coniferous forests. In addition to boosting groundwater, this forest redevelopment goes along with a leap in biodiversity in these areas. While coniferous forests are home to around 120 species, mixed deciduous forests as ecosystems provide habitats for up to 7,000 species. Thus, HiPP supported the reforestation of storm-damaged areas with indigenous species in the same time.
- HiPP planted a deciduous tree for every baby whose parents took part in the campaign up to May 2013, more than 5,000 families. The families received a tree certificate from HiPP.

2. Integration of biodiversity protection into the environmental management system

At the forefront of HiPP, Prof. Dr. Claus Hipp is a visionary entrepreneur who has prioritised sustainability as a primary goal of the company. A designated department headed by a Sustainability Officer, who is also a member of the executive management, ensures sustainability activities to be implemented and advanced with dedication and commitment. These activities base on the action plans and targets of the individual corporate divisions, each of which has appointed a sustainability representative. The areas of environmental protection and biodiversity have been categorised as specialist departments by the introduction of sustainability management.

Persons responsible for sustainability at HiPP



3. A designated office is responsible for directing all biodiversity activities and reports to the management

Biodiversity activities and the establishment of a biodiversity management system at HiPP are directed and coordinated by a responsible Officer, who cooperates with the sustainability team. Regular meetings take place at which the biodiversity representative and the sustainability team report to the executive management and partners of the company. Given the interdisciplinary nature of biodiversity and sustainability management, all members of staff and their department heads are involved in implementing measures as part of daily routine.

4. Measurable and realistic targets to improve the protection and sustainable use of biodiversity, reviewed and adjusted every two to three years

- **By 2017: Development of biodiversity indicators.**

As described, numerous actions and projects have been set up to develop a biodiversity management system, the majority also receiving support from scientists and NGOs. In collaboration with the AÖL, other food producers and scientists, the project "Firmen fördern Vielfalt" (Biodiversity in Good Company) was conducted. Like the HiPP farm model project "Ehrensberger Hof", this project is aiming to identify pragmatic and cost-effective methods for increasing biodiversity on agricultural soils. The DBU (German Federal Environment Foundation) is sponsoring the project of which results will be introduced to the public at the "BIOFACH", the world's leading fair trade for organic food, in 2016 for the first time.

- **By 2016: Measures to improve biodiversity in agricultural production.**

The Repro (TU Munic) and MANUELA (University of Hannover) systems and the 'Kulturlandplan' agricultural consultancy project (Bioland) have progressed already in increasing biodiversity and improving nature conservation in regional agriculture at Ehrensberger Hof. Until the year 2016, HiPP will proceed with analyzing in order to integrate the results into the project "Firmen fördern Vielfalt".

- **2015, Biodiversity Day on 22nd May**

On this year's Biodiversity Day, 40 students from the pediatric department at the Friedrich Alexander University in Erlangen will go on a guided tour through the Ehrensberger Hof farm will be provided with practical insights into the possibilities and the significance of biodiversity protection. It is often the small things, which everybody can do, which have the greatest impact. For example, the numerous nesting boxes which HiPP, in cooperation with the Bavarian Bird Protection Society (LBV), mounted at the farm and the factory premises over recent years, have helped to increase the settlement of rare and useful bird species. On 22nd May 2015, HiPP will be creating further habitats on the company's land, this time to support the breeding of swifts.



- **German Campaign Days for Sustainability 2015**

Also on the German Campaign Days for Sustainability, HiPP will be carrying out a very special campaign concerning research into the living conditions of the white stork. The presence and number of white storks is a clear indication of the status of biodiversity in many regions, because storks need an abundance of food and an unspoiled habitat to be able to rear their young. To strengthen awareness amongst pupil of the importance of the environment and the interactions in it, HiPP is sponsoring a camera and a transmitter for stork observation at the Schyren-Gymnasium grammar school in

Pfaffenhofen. Through this initiative, in cooperation with the Bavarian Bird Protection Society (LBV), the pupil can observe (online) "their" storks nesting on the school roof as part of lessons. They will also be able to follow flight paths via an app.

- **UN Initiative "Year of Soils"**
Biodiversity is not only about what goes on in the air and on the ground. Healthy soil with plenty of humus is essential for biodiversity and the entire eco-system. The 2015 "International Year of Soils" declared by the UN provides the opportunity for HiPP to focus dialogues with stakeholders on the quality of the soil. A sales promotion in the shops should illustrate to consumers, with different kinds of information and competitions, that healthy soil is essential for biodiversity and the entire eco-system.
- **Completed 2013**
Survey to document the status quo of nature conservation with respect to biodiversity achievements by farmers and suppliers (in co-operation with Leibniz University of Hanover).
- **Completed 2012**
Integration of nature conservation and environmental achievements by suppliers and farmers into Terms and Conditions of Business, contracts and agreements, and audit questionnaires.
- **Completed 2012**
100 % move to recycled and to FSC paper to protect forests, and to MSC fish in production operations and company cafeterias/restaurants, to protect ocean overfishing.
- **Ongoing since 2011**
Production at the Pfaffenhofen location has been carbon-neutral since 2011. HiPP is a member of the 'Wirtschaft pro Klima' climate protection initiative for companies.
- **Ongoing Staff trainings:** Regular training courses and Environmental Days for HiPP staff explore the importance of biodiversity, the importance of planting trees, digging ponds for amphibious animals or creating habitats for endangered bird species.
- **Company grounds (ongoing):** Company grounds planted with native flora. Restricted mowing regimes for meadow areas. Data about endangered Red List bird species is collected in collaboration with the Bavarian Bird Protection Society (Bavarian Society for the Protection of Birds, LBV). Affixing of nesting boxes, settlement of a Peregrine Falcon for the purpose of biological pigeon control and yearly planting of the "Tree of the year" - tree of the year.
- **Packaging:** Improvements for more ecological packaging designs.

5. Publication of all biodiversity activities and achievements in the Annual Report and environmental and sustainability reports

HiPP continuously publishes information on its biodiversity activities on the Intranet and Internet, in appropriate media sources and in its own advertising. The 2012 Sustainability Report covered the topic in detail on pages 48 – 53: http://www.business-and-biodiversity.de/fileadmin/user_upload/documents/The_Good_Companies/HiPP/Sustainability_Report_Hipp_2012.pdf. The novel Sustainability Report will be published in summer 2015.

6. Information from suppliers on biodiversity targets and progress of integration

Farmers and suppliers are kept informed about HiPP 's activities and requirements through agreements, Terms and Conditions and the HiPP Sustainability Report as well as through the HiPP agricultural service. Suppliers receive reliable regular support from the baby food manufacturer's agricultural engineers, who communicate the topic clearly and comprehensibly, making direct personal contact and explaining the scientific background of the requirements. The topic is broached in in periodic audit. Within a data acquisition system biodiversity data is linked to other data on specific batches and suppliers.

7. Collaborations with potential partners such as conservation organisations and scientific or state-run institutions, to establish dialogues, which expand the scope of specialist expertise and further advance the management system

Organic farming, production of healthy foodstuffs, protection of biodiversity, conservation of the environment and natural habitats, achieving social equilibrium: these are all goals which HiPP is pursuing in working groups – such as in 2011 at the Sustainable Consumption Forum – and by membership or proactive participation in professional organisations, primarily the Assoziation ökologisch produzierender Lebensmittelhersteller (Association of Organic Food Producers, AÖL), the corporate initiative 'Biodiversity in Good Company', the Bundesdeutscher Arbeitskreis für Umweltbewusstes Management (German Working Group for Environmentally Conscious Management, B.A.U.M.), the 'Wirtschaft pro Klima' (Business Supports the Climate) initiative and the WWF. In addition, HiPP works on specific projects with scientists (including the University of Hanover and Technical University Weihenstephan) and non-governmental organisations and environmentalists (such as LBV/NABU Bayern, Schutzgemeinschaft Deutscher Wald e.V., Mellifera and Greenpeace).